AUDITOR GENERAL

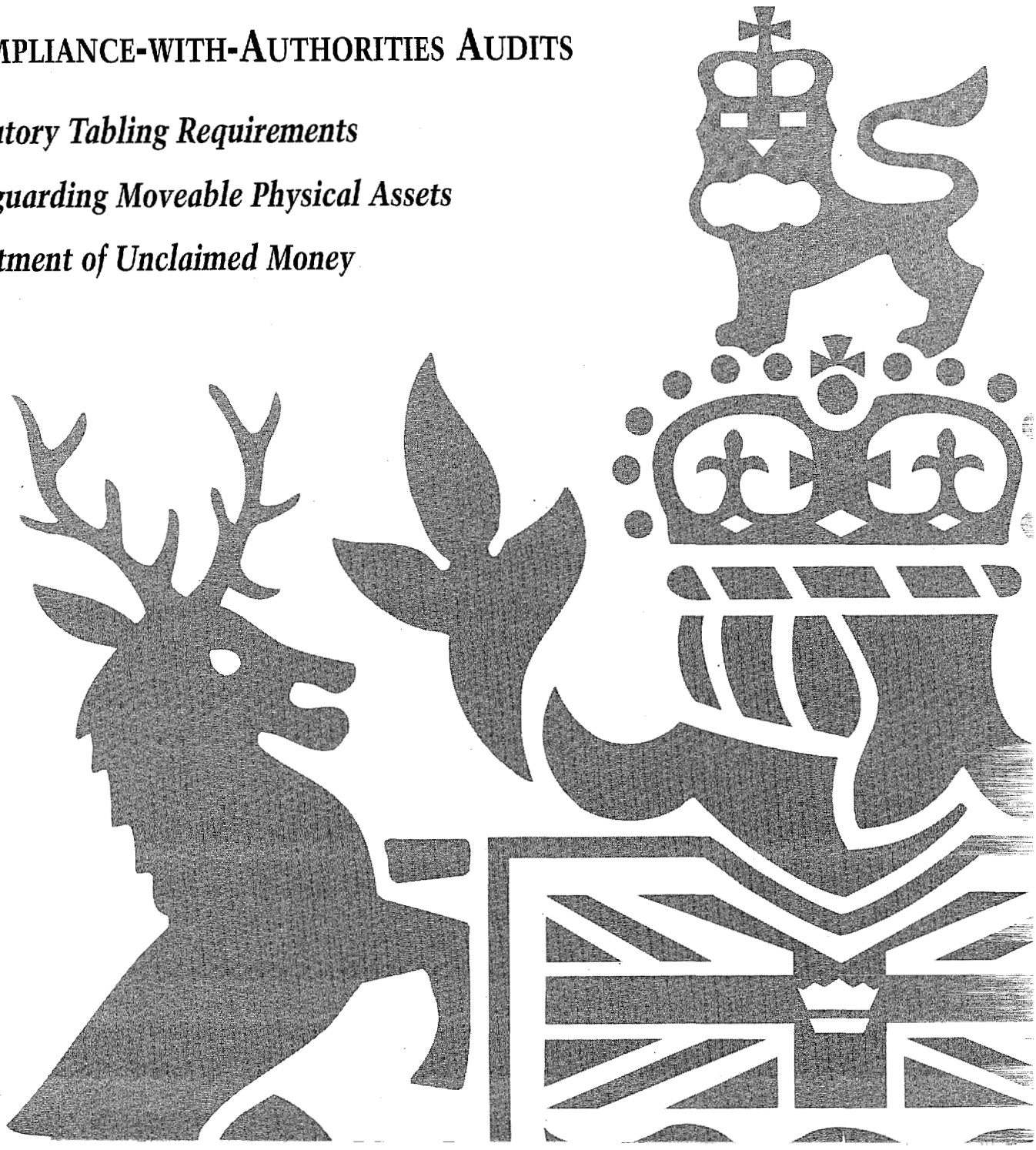
1993/94: REPORT 4

COMPLIANCE-WITH-AUTHORITIES AUDITS

Statutory Tabling Requirements

Safeguarding Moveable Physical Assets

Treatment of Unclaimed Money



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The Honourable Emery Barnes
Speaker of the Legislative Assembly
Province of British Columbia
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Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 1993/94: Report 4 on Compliance-with-Authorities audits undertaken by my Office.

George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
May 1994

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

Compliance-with-Authorities Audits

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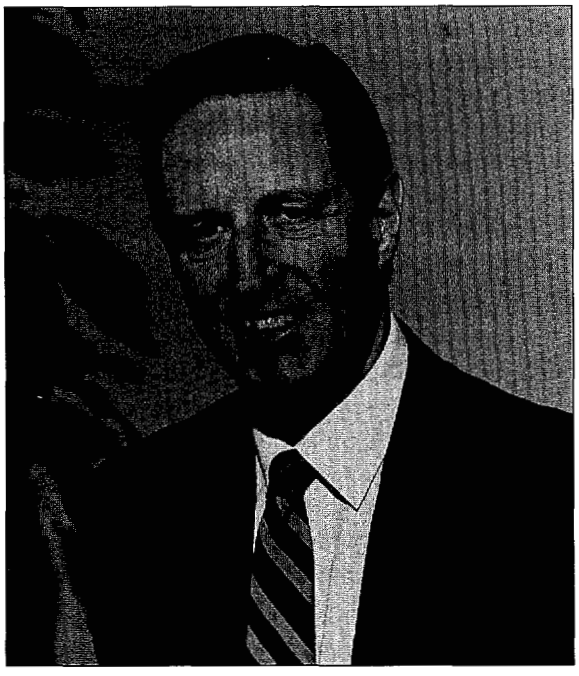


Each year, the Members of the Legislative Assembly meet to consider and debate a variety of matters relating to the conduct and well-being of the citizens of British Columbia. Very often, these discussions by the Assembly culminate in the passage of legislation designed to provide the government with a framework within which it is to proceed with management of the matters at issue.

There are currently more than 500 pieces of legislation on the provincial statute books. In addition, there are many hundreds of regulations, guidelines and other authorities established that relate to, and expand upon, the provisions contained in these statutes. Taken together, these are the rules by which government is to conduct its operations on behalf of the people of British Columbia.

It is important that the Legislative Assembly and the public receive an independent assessment, on a regular basis, as to whether or not the government is operating in accordance with its legislated responsibilities. Consequently, each year I devote Office resources to determining the extent of the government's compliance with legislative and related authorities. Limitations in resources available for this purpose cause us to focus our compliance audit resources on just a few statutes each year. Nevertheless, the results of our work provide important public information regarding the extent of government compliance with authorities, and the issues relating to incidents of non-compliance. Whenever appropriate, we provide recommendations as to how compliance could be improved.

As well, in the carrying out our financial statement and value-for-money audits, auditing for compliance with authorities is included in respect of authorities that are relevant to the objectives of those audits.

Over the past several months my Office has reviewed the extent of compliance by government with authorities in the following areas:

- The Statutory Tabling Requirements report looks at legislation which requires certain organizations to table accountability documents, such as annual reports, in the Legislative Assembly.

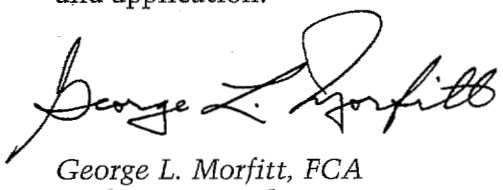
We wanted to find out whether the accountability reports were being tabled, within legislated time requirements, in the Assembly and how the tabling requirements could be clarified and made more consistent for all organizations.

- During the past five years, the government has acquired moveable physical assets, such as computer hardware and software, technical and office equipment, furniture, and vehicles, together costing over $600 million. The government has developed policies for the safeguarding of these assets. The Safeguarding Moveable Physical Assets report describes the audit we undertook to determine if those policies were being complied with.
- The *Unclaimed Money Act* protects the rights of owners of unclaimed money by providing methods by which they may be informed that their money is being held by others, and that they can recover it. The Treatment of Unclaimed Money report assesses whether the handling of money by the provincial treasury, companies and persons, when the rightful owner is unknown or cannot be found, complies with the provisions of this Act.

While we determined that there was some measure of compliance in each of these areas, we found, at the same time, a significant degree of non-compliance—a situation which requires early attention by government officials.

With regard to compliance audits reported in previous years, we have obtained updated responses in writing from government officials as to action taken with respect to our audit findings, and these responses are included in the latter portion of this report.

This is my fourth report for 1993/94. The first two reports, issued in November 1993, pertained to value-for-money audits undertaken by my Office on matters relating to higher education and the environment. The third report, issued in December 1993, contained my comments on the audit of the government's 1992/93 fiscal year financial statements, and on financial accountability issues of concern to me. I wish to acknowledge the outstanding work undertaken by my staff, which has resulted in the production of these reports, and to thank them for their professional dedication and application.



George L. Morfitt, FCA
Auditor General

Victoria, British Columbia
May, 1994

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Introduction

Introduction

The purpose of compliance-with-authorities auditing is to provide independent assessments as to whether or not legislative and related authorities are being complied with in all significant respects.

Legislative and related authorities includes legislation, regulations, orders in council or ministerial orders, directives, by-laws, policies, guidelines, rules and other instruments. Through these authorities, powers are established and delegated.

This report contains the results of three compliance-with-authorities audits carried out in 1993—Statutory Tabling Requirements, Safeguarding Moveable Physical Assets, and the Treatment of Unclaimed Money. We have also included responses from senior officials of the organizations that are responsible for the matters addressed in these audits in order to give a balanced perspective on the audit findings, issues, and recommendations. Since the Statutory Tabling Requirements audit involved in excess of 100 different Acts and organizations, we decided it was not appropriate or practical to ask any one organization for a response.

This report also contains updated responses to some of our compliance-with-authorities audits that were published in prior years. We request responses to prior year audits from senior government officials because it often takes time for organizations to act on audit findings and recommendations. We have not audited or otherwise verified these responses.

In addition, after our prior year audits were published, some of them were reviewed by the Select Standing Committee on Public Accounts of the Legislative Assembly of British Columbia. Where appropriate, we have included the recommendations made by the Committee in relation to our reports, and an indication of the degree to which they have been acted upon, based on the responses we received from the senior officials.

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Statutory Tabling Requirements

Statutory Tabling Requirements

The legislation governing certain organizations requires them to table accountability documents such as annual reports in the Legislative Assembly. We wanted to find out whether the accountability reports for these organizations were being tabled, within the legislated time requirements, in the Legislative Assembly.

Audit Scope

We have made an examination to determine whether the statutory requirements to table reports in the Legislative Assembly were complied with for reports on the fiscal years ending during the period March 31, 1991 to March 31, 1993. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Several statutes require that documents be tabled within a specified time period after they have been received by the responsible Minister or submitted to the Lieutenant Governor in Council. In some cases, these prerequisite dates were not recorded by the ministries and accordingly, we were not able to determine whether these documents were tabled within the required time period. As well, we could not conclude on compliance with the tabling requirements for reports on the fiscal years ending in 1993 because over two-thirds of these reports need not be tabled until the 1994 legislative session.

Overall Conclusion

In our opinion, a significant number of organizations or individuals have not complied with the statutory requirements to table reports in the Legislative Assembly for the fiscal years ending during the period March 31, 1991 to March 31, 1993.

For the fiscal years ending in 1991 and 1992, almost one-third of the required documents were still not tabled as of July 29, 1993, the last day of the 1993 legislative session. In addition, we found that only two-thirds of the documents actually tabled were tabled within the time period specified in the statutes.

Introduction

The government has created a variety of organizations including ministries, Crown corporations, agencies, boards, and commissions by which services are provided to the public. These organizations receive and spend public money in providing these services. Therefore, it is necessary to have a process in place to make these organizations, and the Ministers responsible for them, accountable to the Legislative Assembly. Tabling a report in the Legislative Assembly is an important step in this process. It also makes the document public and the tabled document becomes the official copy of the Legislature.

A variety of organizations throughout the public sector are required to table annual reports. This includes approximately two-thirds of ministries and two-thirds of government organizations in the government's summary reporting entity, as well as other agencies, boards and commissions set up by the government. In general, significantly funded agencies (such as school districts, hospitals, and municipalities) and regulated entities (such as societies) are not required to table reports.

The requirements for the tabling of reports in the Legislative Assembly are found in the enabling legislation that directs government corporations, ministries, and certain agencies, boards, or commissions, or in other Acts that regulate these bodies in some way. The Minister responsible for a particular organization is responsible for ensuring that the required document is tabled, although he or she may have a designate do it.

Most documents are tabled because there is a statutory requirement to do so. Many of these are recurring, periodic reports (including annual reports of ministries and government organizations), detailed financial information (including budgets) of the government, and reports by various commissions and agencies on the administration of their Acts. In addition to designating an official version of the document, tabling also ensures that a record of these accountability documents is maintained in one place—the *Journals of the Legislative Assembly*.

Each year, approximately 100 of these recurring reports must be tabled. The number varies slightly from year to year because some documents need not be produced annually and, as well, Acts with annual reporting requirements may be repealed or brought into force.

Other reports must be tabled only if a certain event occurs. For example, commissions of inquiry and special and select standing committees of the Legislature must table reports if matters are referred to them. The *Election Act* also requires that certain reports be tabled after each election.

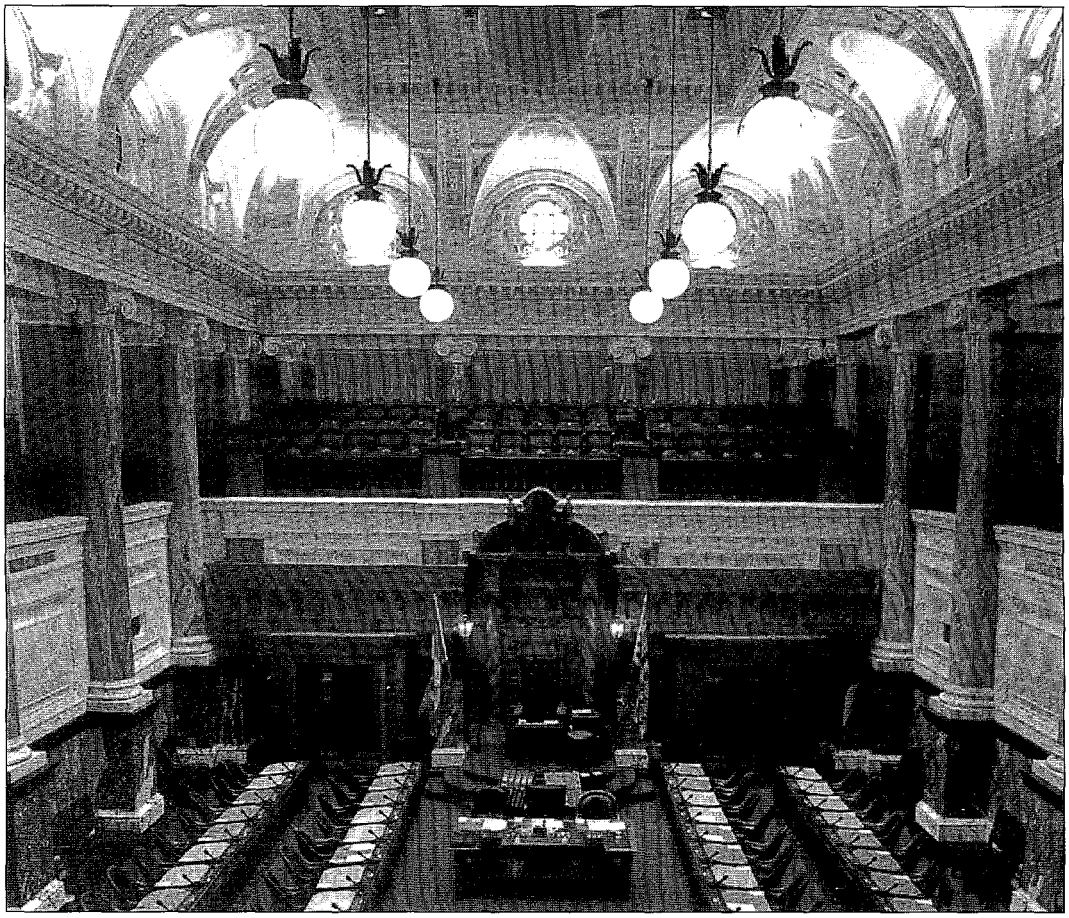
As well, any Member of the Legislative Assembly (MLA) may table a document which he or she feels should be officially recognized by the House, although they must receive unanimous consent from the House to do so. These documents include: written answers or further information in

response to questions asked in the House (consent not required); letters to MLAs expressing concern on various matters; petitions presented to MLAs; and other documents referred to in the course of debates.

The Tabling Process

Tabling a document means presenting it to the Legislative Assembly. The responsible Minister tables the document by standing in the House and presenting it for tabling. The report is taken by a Page to the table of the Clerk in the Legislative Assembly. The Clerk of the House is responsible for safeguarding all the papers and records of the House. Outside the Assembly, the Clerk's office date-stamps the report received, which becomes the Legislature's official copy. The Clerk's office then enters the name of the report and the person who tabled it into the day's *Votes and Proceedings*, which when published in the *Journals* becomes the official record of the business of the House, and keeps the report in their files.

On the same day the report is tabled, the Sergeant-at-Arms delivers copies of the report to all the members of the Legislature. When the Clerk has received a report, it is then available for copying, but not for loan, to the



Source: Office of the Speaker

public and the press. The legislative library also tries to ensure it has copies of all tabled documents, although there is no formal process to ensure a copy is always deposited with it.

Audit Scope

In our audit we looked at all recurring reports which are required, by statute, to be tabled. We looked to see whether, for the period of our review, these documents had been tabled as of July 29, 1993, the end of the 1993 legislative session, whether the documents were tabled within the time period stated in the legislation, and whether they complied with any content requirements specified in the legislation.

The audit was limited to documents relating to fiscal years ending in 1991, 1992, and 1993, and included documents that should have been tabled in accordance with legislation that has been amended or repealed in the last three years.

Some statutes require that documents be submitted to a Minister or the Lieutenant Governor in Council by a certain date, then tabled within a specified number of days after they have been received by the Minister or the Lieutenant Governor in Council. Some ministries do not keep a record of these dates. In these cases, for the purposes of reporting the number of documents tabled late, we assumed that the documents were delivered on the latest possible day (i.e., on December 31, if the document was to be submitted annually), and determined the time period for tabling as starting on that day.

We did not look at all reports that must be tabled only if a certain event occurs. However, we have included, in the "Other Observations" section of this report, our observations about reports of commissions of inquiry and special and select standing committees of the Legislature. We also did not look into the possibility of there being additional tabling requirements in other related authorities, such as regulations or orders in council.

Overall Observations

We found:

- approximately one-third of the required reports had not been tabled;
- of the reports that were tabled, one-third were tabled late;
- timing requirements for tabling of reports are not clear or consistent for all organizations, and they do not ensure timeliness; and
- reports tabled met the legislated content requirements but these requirements were not specific enough and were not consistent for all organizations

As a result of this non-compliance with the legislative requirements, important accountability information is not getting to the Legislative Assembly on a timely basis.

As well, we found that some organizations in the summary reporting entity are not required to table their annual reports.

There are over 100 different legislated requirements for tabling. Spreading requirements out over so many Acts makes it difficult to update the requirements consistently as reporting expectations change. It also makes it unnecessarily difficult to monitor the tabling of documents in order to identify which reports are late and therefore difficult to make the organizations and the Ministers responsible for them accountable to the Legislative Assembly.

The objectives of making the tabling requirements easier to change, providing clearer, more consistent requirements and making an efficient monitoring process easier to achieve might best be met by consolidating all tabling requirements in one separate Act.

We recommend that consideration be given to having all tabling requirements consolidated into one Act which, along with supporting regulations or policies:

- identifies the organizations required to table reports;
- specifies the content requirements of the reports;
- clarifies the meaning of terms used in tabling requirements;
- specifies the timing requirements for tabling reports;
- includes a requirement for monitoring whether reports are tabled on time and for reporting these facts, along with explanations, to the Legislative Assembly; and
- provides for an alternative method of releasing reports when the House is not in session.

Audit Findings

Tabling Reports

We found that approximately one-third of the reports required for fiscal years ending in 1991 and 1992, for organizations ranging from ministries and government organizations to small, special purpose boards and commissions, were not yet tabled as of July 29, 1993 (the end of the 1993 legislative session). Over two-thirds of the reports for fiscal years ending between April 1, 1992 and March 31, 1993, have not been tabled. However, in most cases the requirements specify that reports for the 1993 fiscal year need not be tabled until the 1994 session.

Although two-thirds of the required reports were tabled, fewer than half of those for 1991 and 1992 fiscal years were tabled within the time period specified in the legislation. The late reports were tabled anywhere from a few days to over a year after the required date.

Exhibit 1.1 shows, for the tabling requirements that we identified, the number of reports tabled on time, tabled late, not yet tabled, or not yet due, for all fiscal years ended in a given calendar year.

Clarity of Requirements

In many cases, it was difficult for us to determine whether reports had been tabled on time because the requirements, as stated in the Acts, were not always

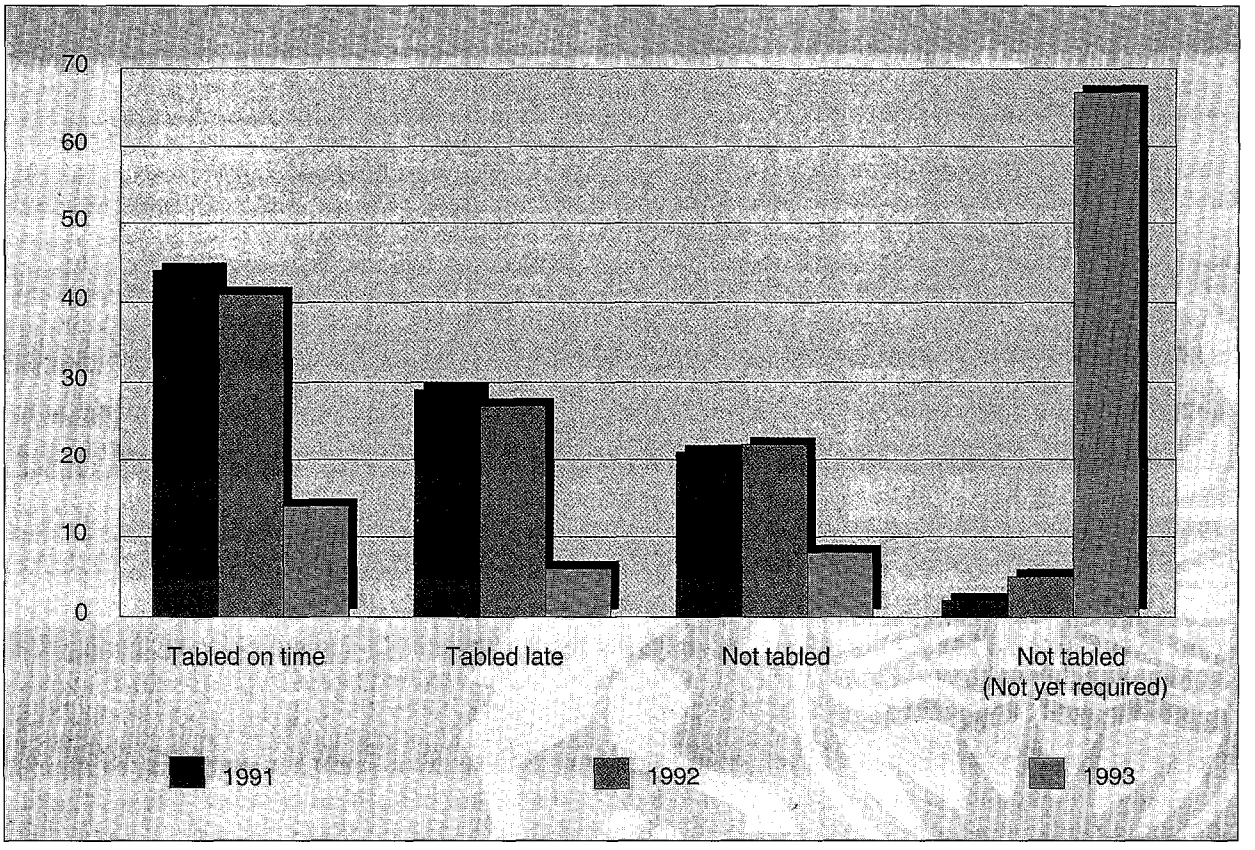
clear. At first glance, the requirements appear straightforward, being measured in days or years. However, each requirement could be interpreted in different ways. In order to complete our audit, we interpreted these requirements as described below.

Many of the Acts specify that reports must be tabled in the Legislature within a certain number of days of the responsible Minister's office receiving them, or within a certain number of days of the next session opening. We could find no clear direction as to whether the days referred to were calendar days, business days, or days when the Legislature sits (sitting days). However, the *Interpretation Act*, which defines general terms used in other Acts, implies that time should be measured in calendar days. Section 25(3) states, "Where the time for doing an act in a business office falls or expires on a day when the office is not open during regular business hours the time is extended to the next day that the office is open." Only two Acts specify that the time is to be

Exhibit 1.1

Summary of Findings (by fiscal year-end of entity)

Number of reports required to be tabled



measured in "sitting days." Therefore, except where the Act specified sitting days, we used calendar days when determining whether reports were tabled within the time period set in the statutes.

Another common requirement is that the report be tabled annually, or submitted to the Minister annually and tabled within a certain number of days after receipt. Although some of the entities required to table reports have a December 31 fiscal year-end, most of them have a March 31 fiscal year-end, therefore the term "annually" could mean either within a year of the fiscal year-end or by the first December 31 following the fiscal year-end. For the purposes of this audit, we interpreted "annually" to mean the first December 31 following the fiscal year-end (that is, for a March 31, 1992, fiscal year-end, the report must be submitted by December 31, 1992; for a December 31, 1992 year-end, the report would be submitted by December 31, 1993).

The final time requirement which was unclear was the term "as soon as practicable" or "as soon as possible." Several statutes require the Minister to table a report as soon as practicable (possible) after receipt or as soon as practicable (possible) after it is submitted to the Lieutenant Governor in Council (Cabinet). The only clarification we could find of this term was in the *Auditor General Act*. Section 10(2) of the Act states, "On receipt of the report of the Auditor General, the Minister of Finance shall lay the report before the Legislative Assembly as soon as possible." The Act goes on to say that if the Minister does not table the report on the first sitting day following receipt, the Auditor General must send the report to the Speaker who shall table it. The interpretation implied in this Act appears reasonable to us, so, for the purposes of determining whether reports were tabled on time, we have considered the phrase "as soon as possible" or "as soon as practicable" to mean the first sitting day after receipt.

We recommend that the terms used to describe the time requirements for tabling reports be defined clearly. This could be achieved either by defining the terms in each Act that has tabling requirements, or by defining them in one central Act, such as the *Interpretation Act*, or in a new Act containing tabling requirements for all organizations required to table reports.

Consistency of Requirements

Who Is Required to Table Reports?

We found that some entities (both ministries and government organizations) in the government's summary reporting entity are not required to table their annual reports. Six of the 18 ministries in existence on March 31, 1993 were not required to produce or table an annual report, although in practice all ministries do produce one. Of the 42 government organizations in the government's summary reporting entity, only 22 are required to table annual reports.

Many of the entities that are not required to table their annual reports have no specific enabling legislation which establishes them.

A few, such as the Ministry of Social Services and the British Columbia Railway Company, have enabling legislation but their Acts do not require them to table their annual reports. Nevertheless, both of these organizations do table annual reports.

We recommend that all ministries and government organizations included in the government's summary reporting entity be required to table their annual reports. Exceptions could be made for organizations that are inactive. However, the inactive organizations should still be required to table financial statements each year, along with an accompanying explanation.

When Must the Report Be Tabled?

We found that there were over 35 different time periods within which the 105 different reports we identified were required to be tabled. Exhibit 1.2 groups this variety into major categories. Only one organization, the Insurance Corporation of British Columbia, is required to table its annual report (including audited financial statements) within 60 days of the fiscal year-end if the Legislative Assembly is then in session. Some other organizations are not required to table their reports until the end of the session in the calendar year following their year-end—this is almost always more than a year afterwards. There does not appear to be any practical reason for the different lengths of time allowed to different organizations.

Part of the variety in timing requirements is explained by the fact that there are different kinds of reports—not just annual reports of financial operations—tabled in the Legislature. In order to compare similar entities having similar report content, we looked at the time period for tabling annual reports for the 12 ministries and 22 government organizations in the government's summary reporting entity that were required to table their annual reports. We found that the length of time between the fiscal year-end of the entity and the latest day the annual report may be tabled varied as widely in this smaller, more similar group as it did for all entities required to table reports.

We found that the enabling statutes that require ministries to table reports are less specific and more lenient in the length of time they allow for tabling annual reports than are the enabling statutes for government organizations. Ministries are generally required either to report annually and table as soon as possible after the report is submitted to the Lieutenant Governor in Council, or to table the report at any time during the session in the calendar year following year-end. Government organizations, on the other hand, are generally required to table their reports a specified number of days after their fiscal year-end if the Legislature is sitting (the range is anywhere from 60 to 120 days) or, if the Legislature is not sitting at that time, within 15 days of the beginning of the next session.

The result of these two different types of requirements for ministries and government organizations is that, in general, government organizations must

Exhibit 1.2

Time Frame within which Documents Must be Tabled

Statutory Tabling Requirement	Number of Organizations	
By one of the following specific dates if the Legislature is in session:		
60 days after year-end	1	
90 days after year-end	7	
105 days after year-end	2	
120 days after year-end	2	
January 31	1	
March 1	2	
March 25	1	
June 30	1	
December 31	2	19
otherwise, within 15 days of the opening of the next session		
With another document		6
No time frame		18
Any time during a specific session:		
during each annual session	3	
during first session in the calendar year following year-end	5	8
As soon as practicable after receipt by the Minister		17
Fifteen days after the beginning of:		
first session in the calendar year	4	
each annual session	4	
in the first session after submission to the Minister	6	14
As soon as possible after a specific date:		
March 31	1	
December 31	2	
90 days after year end	1	4
Other		19
Total		105

Source: Revised Statutes of British Columbia

table their reports earlier than ministries. In years where the legislative session continues after June 30, most government organizations must table their reports during that session—over a year earlier than the ministries.

We also found two Acts that contained different tabling requirements for similar reports. Section 7 of the *Public Service Benefit Plan Act* requires that a return of all business done under part 1 of the Act (the Long Term Disability Plan) be tabled within 15 days after the beginning of each annual session. Section 14 of the Act requires that a return of all business done under part 2 of the Act (extended health and dental benefits) be tabled during each annual session. These reports appear to be similar, yet the tabling requirements are different. In the past few years, the ministry has tabled one report, containing information to meet both content requirements. In 1993, this report was tabled on the last day of the session.

The *Ministry of Transportation and Highways Act* also has two tabling requirements. Section 12 requires an annual report of the work performed by the ministry to be tabled during the next session after the year-end for which the report is made. Section 56 requires an annual report of all government buildings, highways, and public works under the ministry's control to be tabled within 15 days of the beginning of each session. The ministry does not table two different reports. However, its annual report contains information that may be intended to meet the requirements of both sections of the Act. For the 1991 and 1992 annual reports, the ministry tabled the reports in time to meet the deadline in section 12 of the Act, but not in time to meet the more stringent requirements of section 56.

We recommend that the length of time within which annual reports must be tabled be consistent for all organizations, including government ministries. One way this could be achieved would be to have one Act that specifies the tabling requirements for all government and related entities. An example of this is in Australia, where the *Annual Reporting Act (1983)* specifies who must table reports and the period of time within which all reports must be submitted.

What Information Must Be Tabled?

Most of the reports we examined contained the information required by the relevant Act. In many cases, however, the Acts require simply that an annual report be tabled; they do not specify report content. This requirement allows a great deal of flexibility in report content. The reports we looked at all contained financial statements and a brief description of the organization, but the amount and type of information varied widely between reports. Other types of information included in various reports were mission statements, costs or descriptions of programs, comparisons of budgeted costs to actual costs, statements of management responsibility, plans for the future, and information about organizational structure.

Overall, we found that, of the 74 Acts which require organizations to table annual reports, only eight give any specific content requirements. The remaining Acts require a report of operations, a report of work performed, or an annual report, but none of them give any additional guidance about what these reports should contain. Twenty-eight Acts require financial statements to be tabled in addition to the report of operations, although only 10 (including one Act which did not mention financial statements) specifically mention inclusion of an audit report. None of the requirements for ministry annual reports specifies that any financial information is required, although we found that most ministries did include some financial information about costs of various programs.

We recommend that the legislation requiring a report to be tabled include more specific guidance about the content of the report, or that it be supplemented by policies specifying content requirements. For example, guidance for organizations should specify that the financial statements are to include an audit report and a statement of management responsibility, and should indicate the types of information to be included in the report of operations. Content requirements should be consistent for all organizations.

Other Observations

Monitoring

No central agency is responsible for monitoring compliance with all of the tabling requirements in different legislation. As mentioned earlier, over 100 different Acts have requirements for the tabling of various kinds of reports. Each Minister is assigned responsibility for certain Acts. Part of this responsibility includes monitoring the legislation to ensure it is complied with. The Clerk of the House is responsible for safeguarding all the papers and records of the Legislative Assembly, but not for ensuring that all required documents are submitted. In other words, for every report that must be tabled, a Minister is responsible for ensuring tabling occurs, but no one is responsible for checking that all documents are tabled in accordance with legislation and for reporting on compliance with that requirement to the Legislative Assembly.

We found that the federal government, in its *Financial Administration Act,* makes the President of Treasury Board responsible for reporting annually to Parliament on the time the annual reports are due and the time they are actually laid before the House. The report includes general explanations of why late reports have been delayed. The Act then goes on to require that the Auditor General attest to the accuracy of the President of Treasury Board's report, in the Auditor General's report to Parliament. In this way Parliament knows what reports are late, and why. In his report to Parliament in January 1994, the Auditor General of Canada concludes that the timeliness of reporting to Parliament has

improved since this legislative requirement came into force.

Given the large number of statutory reports required to be tabled annually in the Legislative Assembly of British Columbia, and the large number of people responsible for them, we think it would make sense for such a report to be produced in British Columbia. Not only would it promote awareness of the tabling requirements, but it would also provide a highly visible accountability report to the House.

We recommend that a member of Cabinet, possibly the Minister of Finance and Corporate Relations, as Chair of Treasury Board, be given the responsibility for producing a report for the House listing all reports which should have been tabled in the previous session. The report should include the dates that reports have been tabled, compared to the dates that they were required to be tabled, the name of the Ministry responsible, and any explanation for reports not tabled on time. Such a report should itself be timely. To do this, it could be submitted to the Clerk of the House and made public within 30 days of the session being adjourned; then tabled when the Legislature next sits.

If our previous recommendation to have all tabling requirements included in one Act is followed, then the Minister responsible for that Act should produce this report.

Timeliness of Making the Information Available to the Public

Statutory Time Requirements

We found that the time allowed for tabling annual reports did not always result in the reports being tabled in a timely manner. The date by which the report is tabled depends on the dates of the sessions of the Legislative Assembly. Exhibit 1.3 shows, for the 1991 and 1992 fiscal years, that reports must be tabled anywhere from 3 to 21 months after an organization's year-end, depending on the statutory requirements or the dates the House is sitting. Requirements for 1993 year-ends are not shown, as many of the reports must be tabled in the 1994 session, the dates of which were not known at the time of our audit. Most commonly, the statutory requirements, even when complied with, result in the annual reports being tabled a year after the end of the year to which they relate. With this kind of timing, the reports become little more than historical documents and do not properly achieve their purpose as accountability documents.

The exhibit also shows, for statutory requirements which are not affected by a date of receipt, how the length of time elapsing after the year-end before the organization is required to table its annual report may vary, depending on the dates the Legislature is in session. The 1991 session ran only from May 7 to June 27; but the 1992 session ran from March 17 to July 3, and again from October 20 to December 15. Therefore, for the

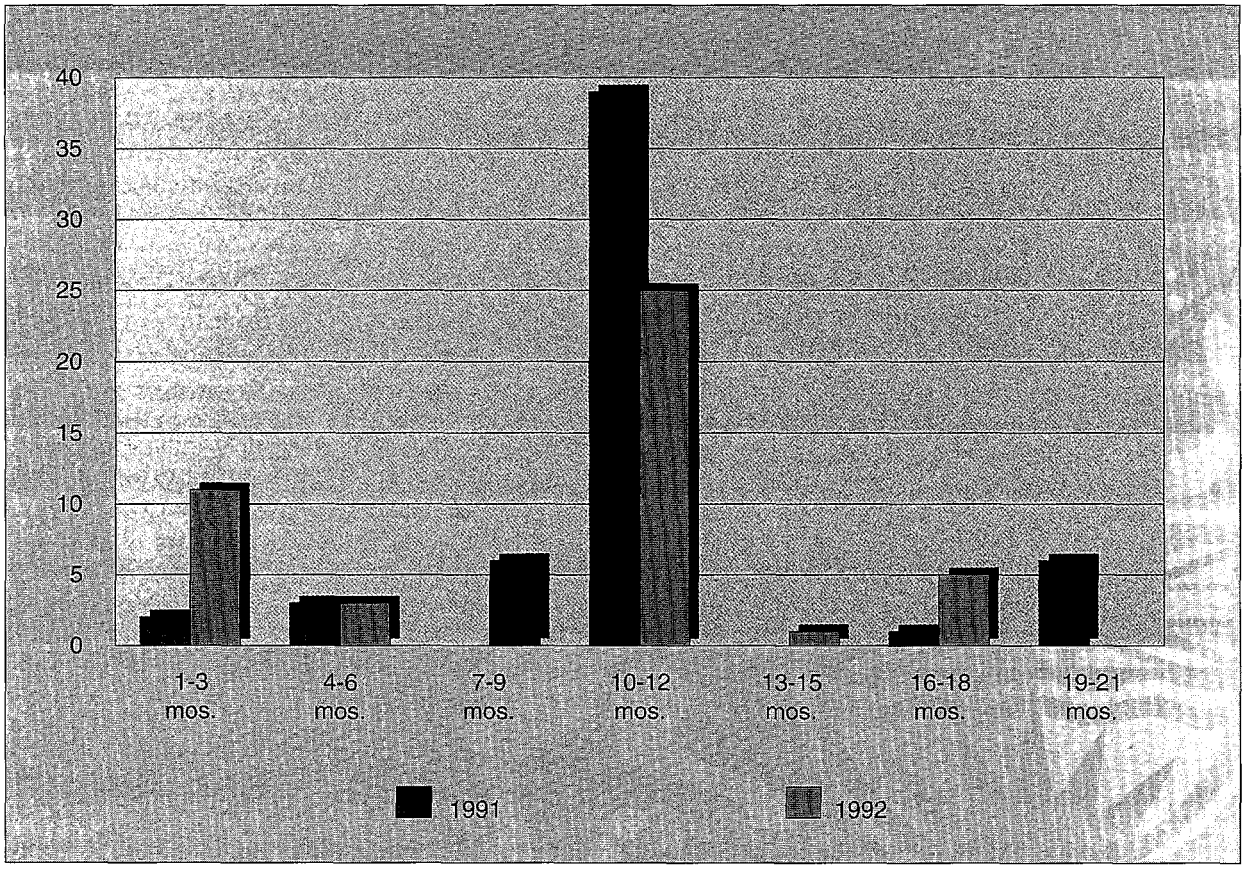
fiscal years ending before March 31, 1991, some organizations required to table reports any time during the next session had as much as 21 months after year-end before their reports had to be tabled. For the fiscal years ending between April 1, 1990 and March 31, 1992, these same organizations had only 16 months in which to table their reports because the 1993 session ran from March 18 to July 29.

By contrast, organizations with March 31 year-ends required to table their reports within 90 days of year-end, did not have to table their 1991 reports in the 1991 session, as the House did not sit for 90 days after March 31. Consequently, these reports did not have to be tabled until April 1992, a year later. For the 1992 fiscal year, however, these same organizations were all required to table their reports by June 29, 1993 because the House was still in session on that date (90 days after year-end).

Exhibit 1.3

Statutory Requirements for Tabling Reports

Comparison of the number of months after year-end by which reports were required to be tabled for the 1991 and 1992 fiscal years



There are two reasons for this lack of timeliness: the way the statutory timing requirements are worded, and the dates and length of time the Legislative Assembly sits. In many cases, the legislation requires an organization's annual report to be tabled in the session in the calendar year after the year in which the fiscal year-end falls. In most years, the legislative session starts in the second half of March. For ministries and government organizations, most of which have a March 31 year-end, this results in reports being tabled a year or more after the end of the fiscal period to which they relate.

Exhibit 1.4 shows that, except for years where there is a fall session (shown in brackets), the House most often sits only until July. In 4 of the last 10 years, the House has adjourned less than 90 days after March 31, the most common year-end for government organizations. In order for reports to be released within a meaningful time frame and tabled before being released publicly (either at the discretion of the responsible Minister or as required by other legislation such as the *Financial Information Act)*, they would usually need to be tabled within 90 days of March 31.

We also noted that organizations subject to the *Financial Information Act* are required to provide detailed financial information, including audited financial statements, to the public, on request, six months after their year-end.

Exhibit 1.4

Sessions of the Legislative Assembly for the Last 10 Years

Number of days between March 31 and the last day of the session

Parliament	Session	Dates	Calendar Days after March 31
35th	2nd	March 18-July 29, 1993	120
35th	1st	March 17-July 3, 1992	94
		(October 20-December 15, 1992)	(259)
34th	5th	May7-June 27, 1991	88
34th	4th	April 5-July 27, 1990	118
34th	3rd	March 16-July 20, 1989	111
34th	2nd	March 15-June 29, 1988	90
34th	1st	March 9-July 16, 1987	107
		(November 24-December 17, 1987)	(261)
33rd	4th	April 15-June 17, 1986	78
33rd	3rd	March 4- June 28, 1985	89
		(November 20-December 2, 1985)	(246)
33rd	2nd	February 13-May 16, 1984	46
33rd	1st	June 23-October 21, 1983	203

In our opinion, a requirement to table a report within three months of an organization's year-end is reasonable. Several government organizations, including British Columbia Buildings Corporation and British Columbia Trade Development Corporation, are already required by their enabling statutes to table their report within 90 days after year-end and are doing so.

We recommend that all organizations be required to table their annual reports within three months of their year-end if the House is in session.

Other Ways to Make the Information Available

The Clerk of the House does provide advice to organizations that wish to make their reports public when the House is not in session in order to have the information made available in a timely manner. The organization or responsible ministry is advised to deliver to the Sergeant-at-Arms enough copies of the report for all the MLAs. Once the Sergeant-at-Arms has distributed the report to the MLAs, the organization can release it to the public.

This procedure does not replace the tabling requirement. The report must still be tabled when the House next sits, in order to ensure that the House receives its official copy. Some of the reports that have been issued in the past year in this manner are the Province's Public Accounts, released by the Minister of Finance and Corporate Relations, the Auditor General's report on the Public Accounts, and the annual reports of BC Hydro and the Liquor Distribution Branch.

We looked briefly at other jurisdictions. In the New Brunswick Legislative Assembly there is a standing order that provides that any document deposited with the Clerk of the House is deemed to have been laid before the House. This represents another alternative to consider for the process of ensuring that reports are released on a timely basis.

We recommend that the statutory provisions for the tabling of documents be revised to include a provision for filing the reports with the Clerk of the House and releasing them to the public when the House is not in session. The copy given to the Clerk would become the "official copy" and would be tabled as soon as the House next sits.

Inactive, Wound up, or Reorganized Entities

Government Organizations

We found three statutory requirements to table annual reports for organizations that either no longer exist or are inactive:

- The *Development Corporation Act* requires the British Columbia Development Corporation to table an annual report, but the assets and liabilities of that body were transferred to the British Columbia Enterprise Corporation on March 31, 1987. The assets and liabilities of the British Columbia Enterprise Corporation were, in turn,

divided between the Province and BC Pavilion Corporation on September 30, 1989. Therefore, it is no longer possible for the British Columbia Development Corporation to meet the requirement for an annual report.

- The *Expo 86 Corporation Act* still exists and requires the Expo 86 Corporation to table an annual report. The corporation, however, was dissolved on June 30, 1987.
- The *Metro Transit Operating Company Act* requires that company to table an annual report. This company merged with British Columbia Transit on June 1, 1985, however, and therefore does not produce a separate annual report.

We recommend that, where a government organization has merged with another organization, its enabling statute be amended to delete the reporting requirement. Where an organization has been dissolved, the enabling legislation should be repealed.

Ministries

We also had difficulty determining what the reporting requirements were for some ministries. Many ministries have been established by their own statute, which in most cases contains a requirement to report annually on the work done by the ministry. However, the *Constitution Act* provides that ministries can be established or disestablished, and powers and duties transferred, by order in council.

There have been several ministry reorganizations, authorized by orders in council, since these ministries were first established. In some cases, responsibilities have been moved between ministries; in other instances, ministries have been disestablished and their responsibilities shared between the remaining ones. For these disestablished ministries, the enabling statutes have not been repealed. We found several examples:

- The Ministry of Intergovernmental Relations was disestablished by an order in council in 1987. However the *Ministry of Intergovernmental Relations Act*, which set up the ministry, is still in force and is the responsibility of the Premier's office. The Act requires the Minister to submit a report on the work performed by the ministry each year, but no separate Act requires the Premier's office to submit an annual report. It is not clear whether the reporting requirement in the *Ministry of Intergovernmental Relations Act* applies to the ministry only as long as it exists, or whether the reporting requirement is tied to the responsibilities of the ministry, so that when those responsibilities are transferred, the reporting requirement is also transferred.
- Similarly, the Ministry of International Business and Immigration was disestablished in 1991 and its responsibilities were split between the Ministry of Economic Development, which had a requirement to

submit an annual report on the work of the ministry, and the Ministry of Education, which has no such requirement. Since the Ministry of Education is responsible for the portions of the *Ministry of International Business and Immigration Act* that relate to immigration, we wonder: is the Ministry of Education now required to file an annual report for the entire ministry, or just for the functions related to immigration? Or is there no reporting requirement since the Ministry of International Business and Immigration no longer exists?

- Both the Ministry of Social Services and the Ministry of Municipal Affairs have, at one time, had responsibility for housing. Both of these ministries were established by a specific statute, but neither the *Ministry of Municipal Affairs Act* nor the *Ministry of Social Services Act* includes a requirement for an annual report of the work done by the ministry. However, the *Ministry of Lands, Parks, and Housing Act* does require an annual report. Again, if the reporting requirement relates to the work performed, then it would seem that whichever ministry is responsible for housing would be required to table an annual report at least about its work related to housing. If the reporting requirement relates to the ministry itself, then there is no longer any reporting requirement as the Ministry of Lands, Parks and Housing no longer exists.

We recommend that, when ministries are disestablished or reorganized, the orders in council authorizing and describing the transfer of responsibilities also clarify the reporting requirements of the new or remaining ministries. In addition, consideration should be given to repealing the enabling statutes for the disestablished ministries.

We also re-emphasize our recommendation that all ministries be required to table an annual report. This would eliminate the problem described above.

Commissions of Inquiry

For all commissions of inquiry, the *Inquiry Act* sets out the procedures for appointing a commissioner, the powers and duties of the commissioner and the reporting requirements. Commissions of inquiry can be set up by the Lieutenant Governor in Council for any matter that a Minister feels requires detailed investigation. Recent examples of such commissions include the Commission of Inquiry into the Public Service and Public Sector, and the Royal Commission into Health Care and Costs.

The *Inquiry Act* requires that each commissioner report his or her findings to the Lieutenant Governor in Council (i.e., Cabinet), usually by a date specified in the order in council that appointed the commissioner. Every report must then be tabled within 15 days after submission to Cabinet if the Legislative Assembly is sitting or, if it is not, within 15 days after the opening of the next session.

Technically, the Attorney General, who is responsible for the *Inquiry Act*, is responsible for ensuring each commission's report is tabled, but in practical terms the minister most affected by the inquiry is the member who tables it.

Thirteen commissions of inquiry were established between January 1, 1990 and December 31, 1993. For each commission, we looked to see if a report had been submitted to the Lieutenant Governor in Council and, if so, if the report had been tabled or otherwise released to the public.

Three of the inquiries have not yet completed their investigations, although one of these, the Commission of Inquiry into Municipal Policing in British Columbia issued an interim report to the Attorney General on February 28, 1993. The Ministry of Attorney General has informed the public in a press release that this report is available to them, but it has not yet been submitted to Cabinet and therefore not tabled.

We found that reports had been tabled for only 3 of the 10 completed inquiries. All three of these reports—for the Korbin Commission (Public Service and Public Sector), the Schwindt Inquiry (Taking of Resource Interests), and the Seaton Inquiry (Government Purchase of Macmillan Bloedel Ltd. Shares)—were released while the House was in session, so they could be tabled immediately.

Two of the other reports—one for the Cariboo-Chilcotin Justice Inquiry and the Matkin Inquiry into the Vancouver Stock Exchange—have been completed and released to the public since the end of the last session. Therefore they could not yet have been tabled. The remaining five reports—for the Royal Commission on Health Care and Costs, Stephen Owen's Discretion to Prosecute Inquiry, the Westar Timber Ltd. (Northwest Operations) Commission, the Nemetz inquiry (safety of loading procedures for vessels in the British Columbia Ferry fleet), and the Fraser Valley Petroleum or Gas Exploration Commission—were issued and made available to the public while the House was not in session, but they were not tabled when the House next sat.

We noted, however, that each of the reports issued is available either at the legislative library or at the ministry that issued it. In most cases, the responsible ministry issued a press release to make the report public shortly after it was received by the Minister.

We recommend that the Ministry of Attorney General, which is responsible for the *Inquiry Act*, ensure that the requirement for the tabling of the commissioners' reports in the Legislative Assembly is communicated to the Minister who is responsible for the commission at the time of each commissioner's appointment.

Committees of the Legislature

Parliamentary committees are appointed by a resolution of the Legislative Assembly. The appointing resolution states the matters being referred to the committee, what its powers are,

and when it shall report. A committee considers matters in more detail than would be possible in the House, and can call witnesses to provide further information or verification. If it is so stated in the appointing resolution, a committee can meet when the House is not in session.

For each issue referred to one of these committees, a report must be tabled if the House is sitting, or submitted to the Clerk of the Legislative Assembly if the House is not in session and tabled as soon as the House sits again. A committee does not need to file any report if no business has been referred to it or if an election is called before it has reported, since an election dissolves all committees.

The Legislature currently has 13 select standing committees. According to the *Votes and Proceedings*, seven of these committees had matters referred to them in the 1993 session, including the North American Free Trade Agreement (Select Standing Committee on Economic Development, Science, Labour, Training and Technology), reducing the accessibility of tobacco to young people through amendments to the *Tobacco Product Act* (Select Standing Committee on Health and Social Services), and the government's Public Accounts and the Auditor General's Annual Report (Select Standing Committee on Public Accounts).

The Legislature may also appoint special committees to consider matters that do not fall within the jurisdiction of any of its select standing committees. For example, in the past two years the House has appointed special committees to appoint the Ombudsman, the Information and Privacy Commissioner, and the Auditor General. It has also appointed a Special Committee on Constitutional Matters, which considered the state of the Canadian Federation and British Columbia's role in it.

With only one exception, we found that committee reports are being tabled as required by section 69 of the *Constitution Act*.

- In the 1993 legislative session, seven select standing committees and two special committees had matters referred to them. All of the select standing committees tabled their reports during the session. One of the special committees has not yet tabled its report, but the report was submitted to the Clerk's office on February 9, 1994, when the House was not in session, and is expected to be tabled at the start of the next session.
- In the 1992 session, two select standing committees and two special committees had matters referred to them. All four of these committees tabled their reports in the 1992 session.
- In 1991, there were no special committees and only two select standing committees had matters referred to them. One of these committees, Labour and Justice, tabled a report. The other, the Select Standing Committee on Constitutional Matters and Intergovernmental Relations, made a preliminary report public after the

Legislature had adjourned for the summer by presenting it to the Clerk's office. In the fall of 1991 an election was called, dissolving all the select standing committees. The report of the latter committee has never been tabled.

Regulations

We found that three Acts required the tabling of regulations in the Legislative Assembly. They included the *Hospital Act* (all regulations made under section 36), the *Election Act* (all regulations made to resolve problems in voters' lists or where the Lieutenant Governor in Council directs that a plebiscite be held), and the *Health Act* (all regulations made under the Act). The Acts do not include any requirement for the Assembly to review or debate these regulations; they only require that the regulations be tabled. During the past three years, regulations have been made under the *Hospital Act* and the *Health Act*, but none of them has been tabled.

In general, the tabling of a document provides an official copy and makes the document public. However, because all regulations are required to be published in the *British Columbia Gazette*, there is already an official public copy before the document is tabled. There does not seem to be any compelling reason for treating these regulations differently from all others.

We recommend that the Acts requiring the tabling of regulations in the Legislative Assembly be amended to remove these requirements.

▲ ▲ ▲

Summary of Recommendations

General

We recommend that consideration be given to having all tabling requirements consolidated into one Act which, along with supporting regulations or policies:

- identifies the organizations required to table reports;
- specifies the content requirements of the reports;
- clarifies the meaning of terms used in tabling requirements;
- specifies the timing requirements for tabling reports;
- includes a requirement for monitoring whether reports are tabled on time and for reporting these facts, along with explanations, to the Legislative Assembly; and
- provides for an alternative method of releasing reports when the House is not in session.

Clarity of Requirements

We recommend that the terms used to describe the time requirements for tabling reports be defined clearly. This could be achieved either by defining the terms in each Act that has tabling requirements, or by defining them in one central Act, such as the *Interpretation Act*, or in a new Act containing tabling requirements for all organizations required to table reports.

Consistency of Requirements

We recommend that all ministries and organizations included in the government's summary reporting entity be required to table their annual reports. Exceptions could be made for organizations that are inactive. However, the inactive organizations should still be required to table financial statements each year, along with an accompanying explanation.

We recommend that the length of time within which annual reports must be tabled be consistent for all organizations, including government ministries. One way this could be achieved would be to have one Act that specifies the tabling requirements for all government and related entities.

We recommend that the legislation requiring a report to be tabled include more specific guidance about the content of the report, or that it be supplemented by policies specifying content requirements.

Monitoring

We recommend that a member of Cabinet, possibly the Minister of Finance and Corporate Relations, as Chair of Treasury Board, be given the responsibility for producing a report for the House listing all reports which should have been tabled in the previous session. The report should include the dates that reports have been tabled, compared to the dates that they were required to be tabled, the name of the Ministry responsible, and any explanation for reports not tabled on time. Such a report should itself be timely. To do this, it could be submitted to the Clerk of the House and made public within 30 days of the session being adjourned; then tabled when the Legislature next sits.

If our previous recommendation to have all tabling requirements included in one Act is followed, then the Minister responsible for that Act should produce this report.

Timeliness of Making the Information Available to the Public

We recommend that all organizations be required to table their annual reports within three months of their year-end if the House is in session.

We recommend that the statutory provisions for the tabling of documents be revised to include a provision for filing the reports with the Clerk of the House and releasing them to the public when the House is not in session. The copy given to the Clerk would become the "official copy" and would be tabled as soon as the House next sits.

Inactive, Wound up, or Reorganized Entities

We recommend that, where a government organization has merged with another organization, its enabling statute be amended to delete the reporting requirement. Where an organization has been dissolved, the enabling legislation should be repealed.

We recommend that, when ministries are disestablished or reorganized, the orders in council authorizing and describing the

transfer of responsibilities also clarify the reporting requirements of the new or remaining ministries. In addition, consideration should be given to repealing the enabling statutes for the disestablished ministries.

Commissions of Inquiry

We recommend that the Ministry of Attorney General, which is responsible for the *Inquiry Act*, ensure that the requirement for the tabling of the commissioners' reports in the Legislative Assembly is communicated to the Minister who is responsible for the commission at the time of each commissioner's appointment.

Regulations

We recommend that the Acts requiring the tabling of regulations in the Legislative Assembly be amended to remove these requirements.

Ministry Response

Since the Statutory Tabling Requirements audit involved in excess of 100 different Acts and organizations, we decided it was not appropriate or practical to ask any one organization for a response.

Safeguarding Moveable Physical Assets

Safeguarding Moveable Physical Assets

During the past five years, the government has acquired moveable physical assets costing over $600 million. The government has developed policies for the safeguarding of these assets, and we undertook an audit to determine if ministries were complying with these policies.

Audit Scope

We have made an examination to determine whether government policies for the safeguarding of moveable physical assets, such as computer equipment and software, technical and office equipment, furniture, and vehicles, were complied with as of November 1993. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Overall Conclusion

Government policies for safeguarding moveable physical assets were, in our opinion, not being adequately complied with for computer equipment and software, technical and office equipment, and furniture, as of November 1993. However, those same policies were being complied with for government vehicles, in all significant respects.

Introduction

The *Financial Administration Act* sets the standards for the financial management and control of public assets by the government of British Columbia.

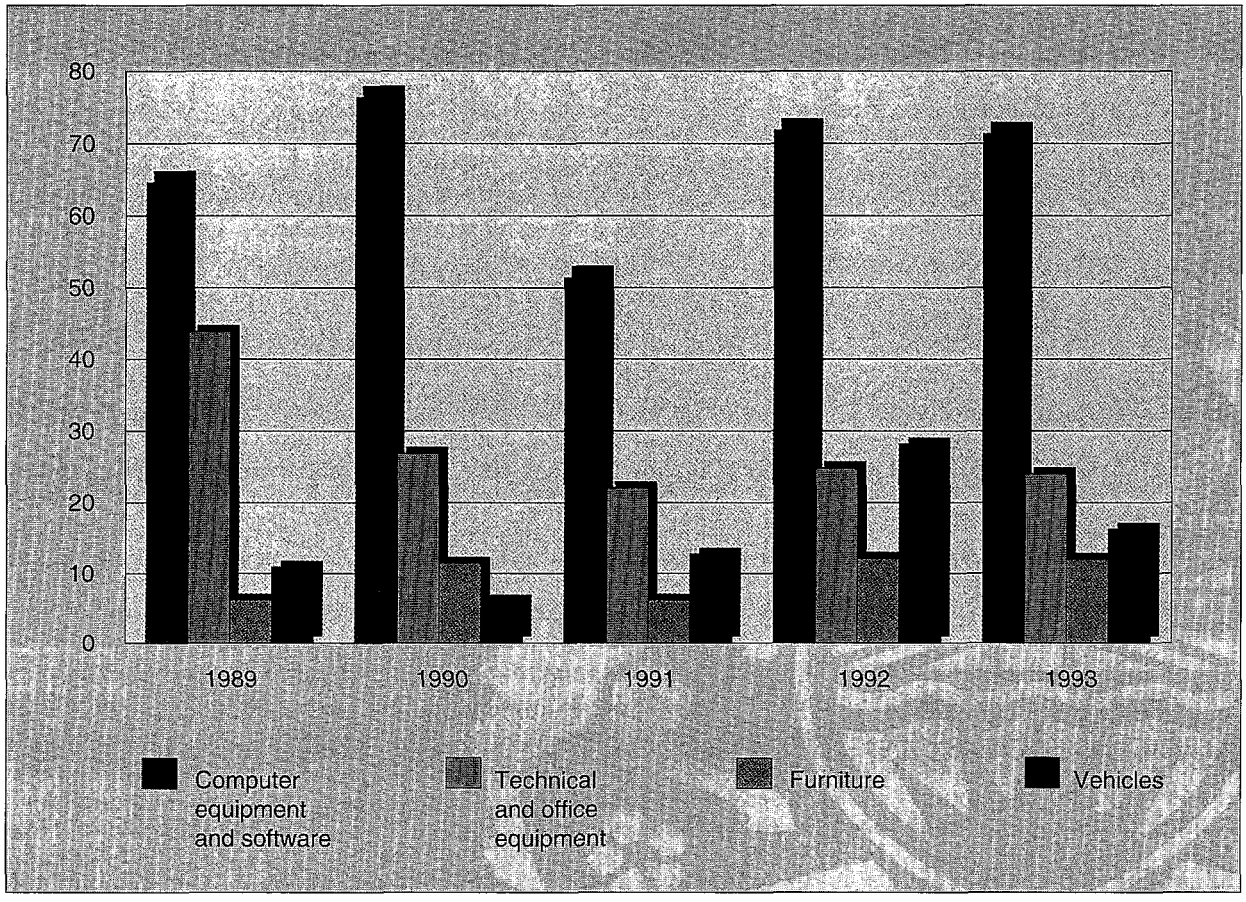
The assets acquired by government include computers, related peripheral equipment (such as printers and monitors), software, technical equipment (such as infra-red scanners for forest fire-fighting), office equipment (such as facsimile machines and photocopiers), aircraft, furniture, large specialized vehicles (such as vehicles for bridge inspection), ordinary cars, light trucks, motorcycles, and skidoos.

Exhibit 2.1 shows an analysis, by category of asset, of the more than $600 million that has been spent by government ministries on asset acquisition over the past five years.

Exhibit 2.1

Moveable Physical Asset Acquisitions, 1989 to 1993

Total acquisitions by government ministries by category over the past five years ($ Millions)



Source: Government of British Columbia

It is important that physical assets be safeguarded, because they represent a large monetary investment. However, if they are also to be reported in the financial statements as assets of the Crown, then protecting and accounting for them becomes doubly important.

Audit Scope

Our audit was conducted to determine whether the government has, in all significant respects, complied with section 38 (except (2)(a)) of the *Financial Administration Act*, and its related Treasury Board directives, pertaining to the safeguarding of moveable physical assets of the Crown. Through this Act and its related directives, the government holds ministries responsible for managing the physical assets they have purchased, leased, or otherwise acquired.

Some of the more important requirements of the Act and its related directives are:

- each asset is to be uniquely identified in asset records (e.g., serial number and description);
- the location of each asset is to be recorded;
- assets are to be counted annually to verify the accuracy of the records;
- assets are to be used;
- assets are to be maintained in good repair;
- disposals are to be suitably authorized; and
- losses are to be appropriately reported.

Our audit did not cover the following types of government assets: financial assets (e.g., cash, accounts receivable, investments); non-moveable assets (e.g., land, buildings, fixtures, leasehold improvements); infrastructure assets (e.g., highways, ferries, bridges, wharves, dams); and resource assets (e.g., forests, lakes, gravel pits). Our audit also did not look at compliance with requirements for the purchase of moveable physical assets.

We examined almost 650 government assets, costing more than $30 million in total, that had been purchased, leased or otherwise acquired by government ministries between April 1, 1988 and March 31, 1993. (The high average cost per asset is due to the inclusion of significant software development costs and computer mainframe leasing costs. The median, or most common value of the assets, was approximately $11,000.) A breakdown of the assets selected for audit is shown in Exhibit 2.2. Our audit tests included looking to see if each asset was recorded in asset records, physically locating and examining each asset to ensure it was where the records said it should be, and checking to ensure that each asset had been counted, was in good condition, and was being maintained and kept secure from loss or damage. Where transfer, loss, damage, or theft had occurred, we checked to see if the ministry had followed the required policies for approving or reporting these events.

In our report, we refer to the assets which we audited as "moveable physical assets." These

assets are described above. Government policy manuals refer to "fixed assets," a summarized definition of which is shown here. Fixed assets includes everything that we have described as moveable physical assets, as well as land, buildings, highways, bridges and ferries.

In the course of our work, we met with ministry staff, reviewed relevant accounting records and, wherever possible, physically examined the assets in the ministries' district, regional, and head office locations throughout the province. Where we decided that it was not economical to travel, we performed alternative verification procedures. We did this work during September to November 1993.

FIXED (PHYSICAL) ASSETS: A SUMMARIZED DEFINITION

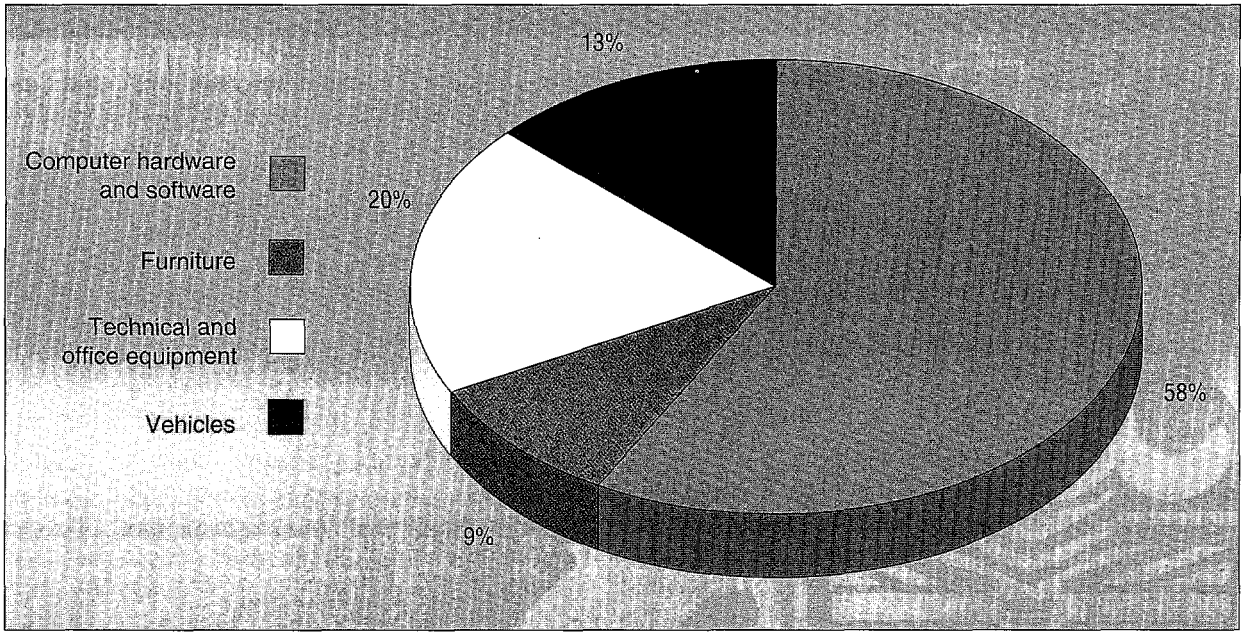
Treasury Board policy manuals define fixed assets as being tangible assets which: are expected to have a useful life of more than one year, are held for use rather than resale, and are desirable to control. Fixed assets should cost in excess of $200 (in constant 1980 dollars) or be what the ministries determine to be "attractive" (that is, easily subject to pilferage or conversion into cash).

We also studied the Asset Management System survey that was conducted earlier in 1993 by the Office of the Comptroller General.

Exhibit 2.2

Categories of Samples of Asset Acquisitions Chosen for Audit

Percentage of samples by asset category



Overall Observations

Overall, we found that a number of physical asset policies were not being complied with.

As well, we found that in some situations, there was no policy although some form of policy or guidance was needed. We also found that some policies were incomplete or unclear, which indicated the need for amendments.

We noted that, as far as non-compliance with policies was concerned, while our findings varied only slightly from ministry to ministry, our findings varied considerably according to the type of asset. Accordingly, we have given our detailed findings by asset category later on in this report. In summary, however, out of the 648 samples that we examined, we found that:

- Some computers could not be located (6 computers in 5 ministries).
- A number of assets, comprising computers, equipment, and furniture, were not recorded in physical asset records (35 assets in 11 ministries).
- Many assets, comprising computers, equipment and furniture, were not being physically counted periodically (122 assets in all government ministries).

We also found that two ministries had no asset management records for furniture.

We found that there are no overall government policies on compatibility of asset management records that should be used. We found that a wide variety of different asset record systems are being used, in some cases even within the same ministry. This, in our opinion, is inefficient and inappropriate.

We consider that the policy requirements on what should be included in the asset management records are incomplete. For example, there is no requirement to include the name of the custodian (unless the asset is an attractive asset), nor is there a requirement to include details of where, when or from whom the asset was purchased.

We found numerous policies govern the control of government vehicles, but very few govern the control of computers—the asset for which the government has spent more dollars than for any other moveable physical asset during the past five years.

We also found that some policies are unclear. For example, one government policy manual requires that all assets costing more than $200 (in 1980 constant dollars) be recorded for asset control purposes. A second government policy manual requires that only assets costing more than $1,000, and having a life expectancy of more than one year, be recorded for budgeting and accounting control purposes.

Although we were ultimately able to locate almost all of our samples (as noted above, all but six computer samples), we do not think this necessarily reflects the accuracy of the records. In a large number of cases, we had to use information on the invoice (such

as place of delivery) to locate the item, because the information in the ministry's central records did not contain adequate information, such as references back to the purchase documents, or because there were no central records for the asset type in the ministry. Furthermore, although we found 35 assets that were not recorded, many of the other assets were recorded only in records of a branch office. These problems make it difficult to monitor or test the records to ensure that they are complete and accurate and, in our opinion, reduces the usefulness of the records.

General Findings Relating To Government-Wide Issues

Non-Compliance with Government Policies for Safeguarding Moveable Physical Assets

Detailed government policies have been established by Treasury Board in order to effectively safeguard the fixed assets of government, as contemplated by the *Financial Administration Act*. The policies that we audited for compliance with are intended to ensure the complete and accurate recording of all fixed assets into the fixed asset records, to introduce physical safeguards which prevent damage to or misappropriation of fixed assets, to maintain accurate and detailed records of fixed assets as a basis for establishing control over them, and to ensure that dispositions of fixed assets have been properly authorized. As previously noted, our audit covered moveable physical assets, which are included in the government's definition of fixed assets.

We found policies that were not being complied with, or were being applied inconsistently, in the following areas:

- maintaining physical asset records;
- recording all assets in the records;
- carrying out regular physical verifications;
- recording complete asset information;
- not paying invoices without evidence that physical assets have been recorded;
- contacting the Purchasing Commission about trade-ins;
- recording appropriate purchases as physical assets; and
- filing general incident or loss reports within 48 hours.

We recommend that the Office of the Comptroller General and the ministries should be monitoring how well they are complying with the policies for safeguarding moveable physical assets. Where they find that the level of compliance is inadequate, we recommend that they take appropriate steps to ensure that policies are followed. Where they find that policies are absent or incomplete, we recommend that they write or revise the required policies.

Clarity in Defining and Recording Assets

When recording assets, the government uses different definitions depending on the purpose of the record:

- For assets which cost more than $200 (in constant 1980 dollars, equivalent to $405 for 1993), accurate and timely records shall be maintained for management purposes.
- For assets which cost more than $1,000, purchases shall be recorded in the government's fixed asset expenditure accounts for financial reporting purposes.
- For attractive assets (regardless of cost), accurate and timely records shall be maintained, and the current custodian recorded for better protection.

Dollar Limits

One government policy manual requires records to be maintained for asset control purposes, for all assets that cost more than $200 (in 1980 constant dollars) and for all assets, regardless of cost, that may have been defined as "attractive" by a ministry. This policy has not changed since April 1983, and no guidance has been provided to ministries on how the amount has changed from year to year with the increase in the consumer price index. In 1993, in response to our request for clarification, the Comptroller General advised us that this physical asset cost limit would amount to $405 in current-year dollars.

Another government manual requires that only assets costing more than $1,000 and having a life expectancy of more than one year be recorded as fixed assets for budgeting and accounting control purposes. Consequently, the budget and accounting records do not have to include the same assets as the asset management and control records. Having these two inconsistent requirements leads to confusion in the ministries and, if the records are kept on the basis indicated in policy, any reconciliation between the two sets of records would be difficult, if not impossible.

We recommend that the criteria used for all asset records be consistent, using a specific dollar amount which is updated periodically as required (for example, at the beginning of each fiscal year). We understand that the Office of the Comptroller General is moving to address this inconsistency.

Cost/Benefit Considerations

Government policy manual guidelines suggest that ministries should determine the cost/benefit before deciding to control an asset. We found that this was interpreted differently by the ministries in the case of furniture. Two ministries did not record furniture because they did not consider that it would be cost effective to do so. However, the other ministries did record furniture. In our opinion, it is inappropriate that this policy be applied inconsistently.

We recommend that ministry determinations of the cost/benefit of control be evaluated and assessed by the Office of the Comptroller General before being accepted as a basis on which to

dispense with the maintenance of physical asset records.

Attractive Assets

Treasury Board policy manuals recognize that some assets which are below the $200 (1980 constant dollar) value stated above are susceptible to loss or theft. These assets are defined as "attractive." They are subject to the same recording and safeguarding requirements as physical assets, except that in some cases the requirements are more stringent. For example, the person responsible for each attractive asset must be recorded, and attractive assets kept in inventory must be counted more frequently than other assets to ensure they are still there.

Attractive assets include items such as art work, office equipment, small furnishings, computer equipment, and other types of technical equipment—all items that are readily convertible into cash or are easy to pilfer. Government policy is that each ministry shall decide for itself which items to designate as attractive.

Before we could determine whether the ministries were complying with the policy requirements for recording and safeguarding attractive assets, we first sent a questionnaire to all the ministries, asking which assets they considered attractive.

The variety of responses we received indicated that the guidance given in the government policy manuals is not clear and is not being applied consistently. For example, the only asset type which every ministry classifies as attractive is computers—not all ministries classify hand-held radios as attractive. Some ministries did not define which assets they considered attractive. Some ministries did include a definition in their policy manuals, but in terms which did not provide any more guidance than was already given in the central government policy manuals. Only two ministries had a clear definition of "attractive assets" in their policy manuals. In both cases, they were defined as moveable electronic equipment, and gave a list of examples (e.g., cellular phones, facsimile machines, answering machines, computers, televisions, etc.). Other ministries gave only a dollar value as guidance (e.g., anything over $50). However, we found that even the dollar value could vary widely. For example, one ministry defined attractive assets as items costing more than $250, while another ministry defined them as items costing less than $250. In our opinion, it is not appropriate to have policies interpreted in such an inconsistent fashion across government.

We also found, in our discussions with ministry staff, that some of the staff responsible for asset management were unfamiliar with the term "attractive asset" or, if they were familiar with it, did not realize there were additional policy requirements for safeguarding these assets.

We recommend that, for physical assets which are common across government (such as computers, computer software, and furniture), the government policy manual give clear guidance on what to include as attractive assets

and what to exclude, by listing specific examples. For physical assets that vary from ministry to ministry (such as equipment), each ministry should be required to provide specific guidance in their own manuals on what assets to record and control as attractive, including a list of those that are unique to the ministry.

Some of the guidance in government policy manuals on classifying assets as attractive is also unclear. One manual we looked at implies that an asset is either attractive or fixed. We believe that an asset may be both. For example, a computer, which all ministries classify as attractive, is also a fixed asset, because its cost usually exceeds the dollar limit.

We recommend that the government policy manual be clarified to indicate that an asset may be both fixed and attractive. The manual should clearly state that, where a fixed asset also meets the criteria for attractive assets, the additional and more stringent requirements for safeguarding attractive assets must be complied with, not just the requirements for recording and controlling fixed assets.

Content of Asset Record Systems

The current policies clearly specify some of the content requirements of the asset records that should be kept, but in our opinion, they do not go far enough.

Examples of content requirements contained in government policies and guidelines include:

- All fixed assets purchased shall be properly recorded and controlled in the accounting records of the ministry. Records shall be maintained by location and major category of asset.
- Accurate and timely records shall be maintained by each ministry of all fixed assets valued over $200 (in constant 1980 dollars) and of all assets, regardless of cost, that have been determined as attractive.
- Details of fixed assets (such as description, serial number, and date of purchase) should be recorded in the central records, reflecting the distribution of these assets either geographically or by individual operating units.

We recommend that the following information requirements for asset records be considered for addition to the policy manuals:

- name of the custodian (for all assets, not just attractive assets)
- purchase information (including invoice and supplier number)
- description information (including model number, manufacturer, and colour)
- the ministry-assigned unique identifying number (the bar code or tag number)
- cost
- estimated useful life
- warranty references

Form of Asset Record Systems

The asset record systems that we found were often computerized,

but the computer systems varied between ministries and sometimes even between branches or locations within the same ministry. Some ministries used databases on mainframes, sometimes linked to their field offices. Some used packaged software programs on micro-computers, sometimes linked via networks. Some recorded their assets on electronic spreadsheets, kept on individual micro-computers either centrally or in individual branches and offices of the ministry.

At any one point in time, these systems may serve the requirements of local branch users adequately. Overall, however, such an approach can pose several problems. First, having various ministries, and even branches within ministries, evaluating alternatives and developing their own unique systems—when the functions or needs are essentially the same for all organizations—is inefficient and unnecessarily expensive. Merging ministries with different systems (after a government reorganization) is also inefficient and costly. The new ministry either has to enter some or all of the information onto a new system (or make conversions), or else have branches continue to maintain separate systems. Finally, controlling assets on different systems, even within the same ministry, increases the risk of fraud or asset loss.

We recommend that consistent and compatible physical asset recording systems be used throughout government, and especially within ministries.

Centralization of Asset Record Systems

The Office of the Comptroller General is moving towards a corporate accounting system which calls for certain types of asset information to be recorded in all systems. The government is also considering the capitalization of assets. These objectives can be met with a centralized system, which would also address most of the problems that have been referred to in the preceding section of this report.

Although there are some drawbacks to a centralized system, such as the potential to become overly bureaucratic and unresponsive, a properly designed system should be able to meet the needs of head office while also being acceptable to users in branch offices. With current technology, a system could be introduced which would be maintained by individual and decentralized offices and branches, but still accessed by headquarters. This would be possible whether such a system were centralized within individual ministries, or within government as a whole.

We recommend that the government policy manuals establish criteria for physical asset record systems. This will ensure that sufficient commonality exists between systems to allow the exchange of data, whether the physical asset systems are centralized within ministries or within government. In this way, the objectives of centralized management and reporting can be met.

Periodic Physical Counts

The policy for safeguarding physical assets that was least complied with was that for periodic physical counts. As previously stated, 122 assets of 648 that we examined in all ministries, were not being counted.

All assets should be subject to some sort of physical verification on a regular basis. For some assets, however, a direct count may not be necessary if alternative methods are available. For example, vehicles are regularly serviced and their maintenance reports forwarded to the Vehicle Management Branch. In addition, planes are sufficiently large that their loss would be immediately and publicly known. Physical verification becomes more important if a centralized system is introduced, as the asset manager does not have personal contact or knowledge of the assets on a day-to-day basis.

There is the opportunity for ministry head offices or central organizations to assist in the record keeping process. For example, we found that although many organizations had all their physical equipment assets tagged with bar codes, very few had the bar code readers to make inventories easier to complete. We recommend that bar code readers be made readily available to organizations to facilitate the counting of physical assets tagged with bar codes.

Completeness of Asset Records

Government policy states that "no invoice with respect to fixed assets should be processed unless it bears evidence that the item has been entered into the equipment records." The guidelines go on to suggest that any additions to fixed assets should be reconciled monthly with the changes accumulated in the expenditure accounting records. These guidelines establish an important basis for ensuring the accuracy and completeness of asset records and for providing an audit trail. Without these links, management has no way of knowing if all of the organization's assets are recorded accurately in the asset records, or of performing verification tests of the records.

We found that these guidelines were generally not being followed. This made it difficult, and in some cases impossible, to locate assets that we selected from paid invoices, and thereby to obtain assurance that ministry asset records were complete and accurate. As already noted, we were unable to locate 6 of our 673 asset samples; we found that a further 35 were not recorded; and for 5 of our samples, we could not complete our tests because the purchase documents did not contain a unique identifier and the ministry records did not contain purchase information.

Items Incorrectly Recorded as Physical Assets

Out of our total of 648 asset samples, we found 13 that we

consider were incorrectly recorded as physical assets. These included items such as a one-month vehicle rental, tuition courses for learning computer software, operation of a 24-hour answering service, ongoing computer maintenance or processing, and general consulting fees.

We found, as well, several instances where professional fees recorded as physical asset purchases were not directly related to the "purchase" of an asset, as would be the case if the fees were for the development of specific software. Instead, these fees were for services such as preparing an analysis of a ministry's computer needs, or preparing a business plan for information technology. Although such studies can lead directly to computer acquisition, this is not a cost of acquiring an asset. We recommend that policies be established to determine when it is appropriate to record professional fees as asset purchases, and when it is not.

Detailed Findings Relating to Specific Types of Assets

Introduction

For the moveable physical assets included in the scope of this audit, audit tests were performed on the samples that were purchased, leased or otherwise acquired by government ministries. We:

- determined whether the asset was included in ministry fixed asset records and, if an attractive asset, whether it was assigned to an individual;
- located and examined the asset and verified that it was the asset described on the invoice;
- verified the accuracy of the record by examining the asset and the fixed asset record;
- examined records indicating whether or not the asset had been counted in the past year;
- determined whether the asset appeared to be used;
- assessed whether the asset appeared to be in good condition and, where appropriate, had been regularly maintained;
- determined whether the asset appeared to be kept secure from loss or damage;
- verified, where loss or damage had occurred, that a general incident or loss report had been completed and filed;
- verified, where appropriate, that a declaration of surplus report had been completed and filed; and
- verified, where the asset had been disposed of, that the disposal had been properly authorized.

We found that the results we obtained in undertaking our detailed compliance work and ancillary observations varied considerably depending on the type of asset we were looking at. Therefore, we have organized our detailed findings by the type of government asset we were examining.

Findings Related to Computer Equipment and Software

Most ministries maintain central asset records for their

computer equipment. Two ministries require their individual offices and branches to maintain their own records. However, some of the ministries with central records are still working to include all of their branches and offices in those records.

Out of our 366 samples of computer equipment and software, we found that policies were not complied with in the following areas:

- Six of the assets could not be located by ministry staff. Their total cost was over $45,000.
- Fifteen of the assets were not recorded on asset records, but we were able to locate and inspect them by following up on delivery information recorded on the invoice.
- Eight of the assets did not have a custodian recorded.
- The locations of five of the assets, and the custodians for three of the assets, were recorded incorrectly.
- The asset record for one computer showed the correct serial number but an incorrect bar code number (the bar code number was applied by the ministry as part of its asset tracking process).
- Eleven of the assets had been disposed of, but no disposal form could be located.
- Seventy of the assets had not been counted in the previous year (this included six that had not been recorded, five which did not have a custodian recorded, and three where the recorded location was incorrect).

As well, we found some situations in which we could not complete our testing, as follows:

- Ten of the assets were computer components that the ministries did not keep track of, and so we were unable to test these items.
- For five of the assets we could not find the asset in the asset records using the information on the purchase documents. The purchase documents did not contain a unique identifier, such as a serial number, and the ministry records did not contain purchase information. Accordingly, we could not complete our tests on these items.
- For four entries in the accounting records, we were unable to locate supporting documents for the entry (that is, invoices to support a journal voucher accrual) and thus could not identify the asset purchased nor complete our tests. For nine invoices, ministry staff were unable to locate the supporting contracts and thus we could not verify that the contract related to software development.

It is common for components to be purchased some time after the computer itself has been purchased. Such items as modems and memory cards are often added to upgrade a computer. Although these items may have a manufacturer's serial number, they are often not recorded by ministries. We recognize that even if the item were recorded, it would not be always possible to verify its existence without taking apart the computer. Nevertheless, we recommend that the asset records

show what components have been added to a computer, with the relevant serial number recorded to identify it.

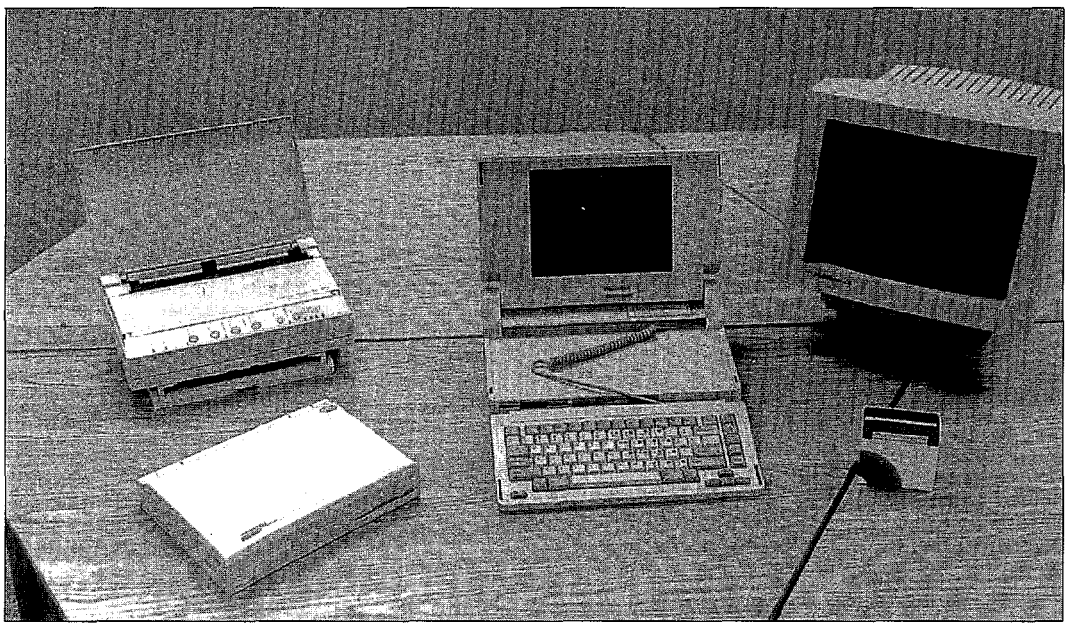
Government policy for safeguarding physical assets requires physical verification at least annually. This does not have to be done by ministry staff. One ministry informed us that it used contracted service technicians to record computer serial numbers when they serviced machines. We think that combining the counting of components with maintenance activities is a good idea if it is carried out in a consistent, organized fashion, with adequate coverage of the assets. Although it is not a widespread practice, it could be encouraged by being included as a guideline in the policy manual.

In cases where computer equipment had been traded in, we often found that the required Purchasing Commission approval had not been obtained. In one instance, a ministry that had traded in a document scanner, costing $1,817, was still attempting to obtain the credit some five months later. Ministry staff appeared not to know that they should have contacted the Purchasing Commission.

Two of our samples were for the purchase of software that was not used. One ministry had purchased 10 copies of a word processing program in February 1993. During our audit we noted that 8 of those 10 were still in their original, unopened packaging. A second ministry had purchased two identical printer cartridges in December 1991. Ministry staff stated that the cartridges had been tried out and had been found to be incompatible, but no attempt had been made to return them.

We concluded that government policies for safeguarding computer equipment and software were not being adequately complied with.

We found that the introduction and increasing



proliferation of micro-computers in government is not matched by changes and updates in policies to address the new issues that arise. (Exhibit 2.1 on page 36 shows the comparatively large amount spent on computer equipment and software over the last five years.) It came to our attention on one occasion that equipment had been purchased so that a contractor could use it, for business purposes, at home. We recommend that government policies be developed to address the purchase or use of government computer equipment for work at home.

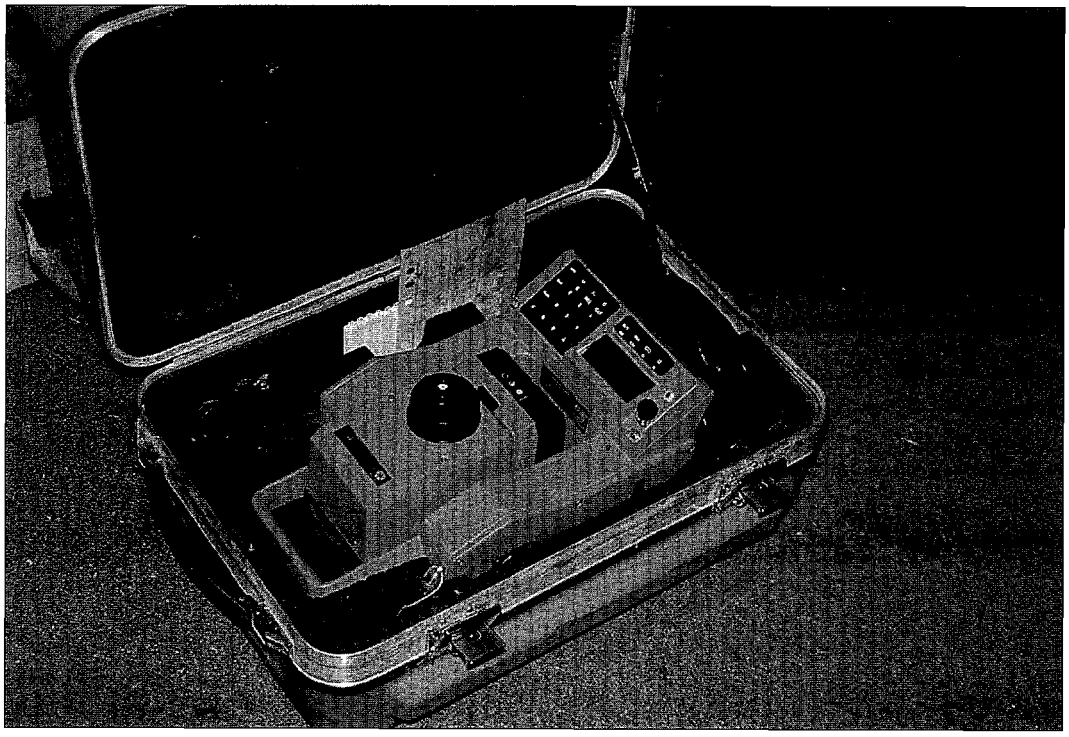
Findings Related to Technical and Office Equipment

Nine ministries maintain central asset records for equipment, but in one case we found that these records had not been updated for over a year. The other ministries rely upon their individual offices and branches to maintain their own records.

Out of our 127 equipment samples, we found that policies were not complied with in the following areas:

- Eleven of the assets were not recorded on asset records, and one, an attractive asset (a telephone pager), did not have a custodian recorded.
- Twenty-two of the assets had not been counted in the past year (this included four which had not been recorded).
- Two of the assets had been stolen and no general incident and loss reports had been completed (one of these had not even been recorded in the asset records).

Only a few of the equipment assets we looked at were not in use. One item, a high temperature bath (intended for use in laboratory



analysis), purchased in March 1991, was still in its original packaging. A second item was a facsimile machine that was originally purchased in 1989 and is now in storage. A third item was a cellular telephone which, according to its log and ministry staff, had not been used for the previous five months. Ministry staff still maintained that this asset was needed.

As noted above, two of our samples had been stolen and no general incident and loss reports were filed. One of these items was a radio cassette player, costing $105, and the other was a car radio costing $200. The radio cassette player had not been recorded in the asset records of the ministry.

In another instance, where a general incident and loss report for a hand-held radio had been filed, no serial number was recorded. Such a lack of information would make it difficult to properly update the asset records. It would also make it impossible for the police to identify the hand-held radio should it be recovered.

We also found that there is sometimes a lack of an audit trail for leased assets in the form of a document showing the lessor accepting and acknowledging the return of the leased asset at the end of the lease. We did find, however, that where the leased asset was a photocopier whose lease had expired, the Purchasing Commission usually provided a written document to the ministry. We recommend that, as a matter of policy, ministries be required to obtain a receipt from the lessor for the return of a leased item when a lease expires and is not renewed.

We concluded that government policies for safeguarding office and technical equipment were not being adequately complied with.

Findings Related to Furniture

The situation relating to furniture asset records is mainly divided among ministries that have central records and ministries that expect their individual branches and offices to have their own records. However, two ministries have no records.

Out of our 60 furniture samples, we found that policies were not complied with in the following areas:

- Nine of the assets were not recorded on asset records (this includes one sample from the ministries with no records).
- One of the assets was at a different location than shown in the records.
- Thirty of the assets had not been counted in the past year (this includes seven that were not recorded).

As well, for one entry in the accounting records, we were unable to locate supporting documents for the entry (that is, invoices supporting the journal voucher accrual), and thus could not identify the asset purchased nor complete our tests.

Individual items of furniture were not separately identifiable from the purchase documents. We also found that the ministries often did not mark them for separate identification. Where we were able to inspect an asset, it was because the ministry was able to

demonstrate that our sample was one of a larger number of assets purchased and the whole number could be accounted for, or else the invoice had specified delivery to a small office and the item was the only one there.

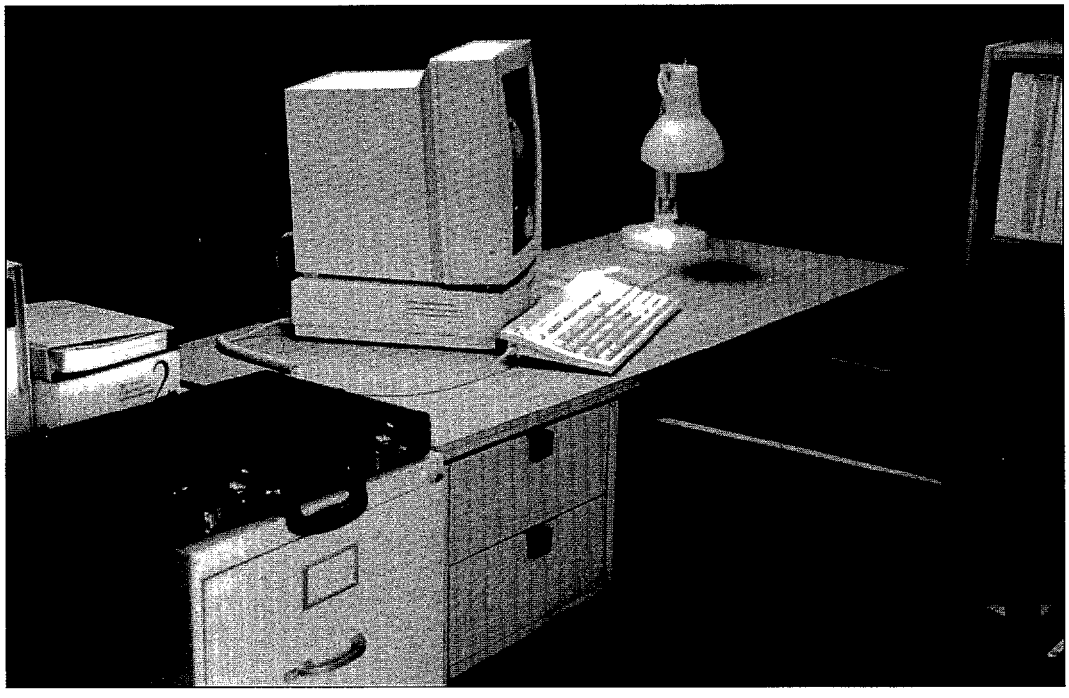
Because furniture has no unique identifier such as a serial number, we recommend that when furniture is purchased it be tagged with a unique number and, as a minimum, be recorded in a list of furniture for the particular branch or office. The custodian could be the local office administrator (rather than the individual using the piece of furniture). Physical verification should be done where there have been changes to the location, or a large number of disposals.

We concluded that government policies for safeguarding furniture were not being adequately complied with.

Findings Related to Vehicles

Most government-owned vehicles are recorded at the Vehicle Management Branch of the Ministry of Government Services. Vehicles larger than a three-quarter ton truck, two- or three-wheeled vehicles, and certain specialized vehicles are recorded in ministry records. We found that all of our 84 samples were recorded in the records of either the Vehicle Management Branch or an individual ministry.

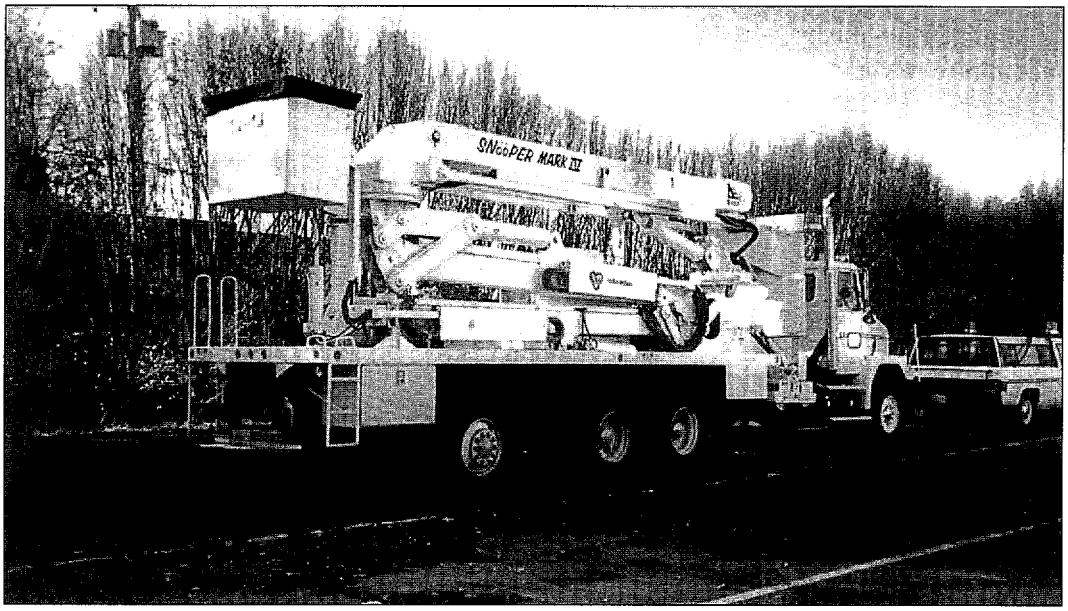
Because of the central management of government vehicles by the Vehicle Management Branch, and given the large number of specific policy requirements, we found that the policies for vehicles were, in general, complied with. At the time of our audit, the branch was undertaking a study of vehicle utilization, with a view to ensuring the most efficient use of government vehicles.



We noted a number of occasions where employees took vehicles home at night, apparently without the approvals required by policy—that is, deputy minister approval or the provisions of a collective agreement. We were told these occasions arose when there were no secure parking facilities at the government office location, or when an employee needed to leave on a trip before the office opened, or returned from a trip after the office closed.

Deputy minister approval is required whenever a vehicle is not parked overnight at a government office. In our opinion, this is appropriate for more permanent arrangements where the security of the vehicle is involved. However, we recommend that government policy be amended so that a local manager can approve overnight home parking when it is appropriate for travel purposes.

We concluded that government policies for safeguarding vehicles were being complied with, in all significant respects.



Summary of Recommendations

Non-Compliance with Government Policies for Safeguarding Moveable Physical Assets

We recommend that the Office of the Comptroller General and the ministries should be monitoring how well they are complying with the policies for safeguarding moveable physical assets. Where they find that the level of compliance is inadequate, we recommend that they take appropriate steps to ensure that policies are followed. Where they find that policies are absent or incomplete, we recommend that they write or revise the required policies.

Clarity in Defining and Recording Assets

We recommend that the criteria used for all asset records be consistent, using a specific dollar amount which is updated periodically as required (for example, at the beginning of each fiscal year).

We recommend that ministry determinations of the cost/benefit of control be evaluated and assessed by the Office of the Comptroller General before being accepted as a basis on which to dispense with the maintenance of physical asset records.

We recommend that, for physical assets which are common across government (such as computers, computer software, and furniture), the government policy manual give clear guidance on what to include as attractive assets and what to exclude, by listing specific examples. For physical assets that vary from ministry to ministry (such as equipment), each ministry should be required to provide specific guidance in their own manuals on what assets to record and control as attractive, including a list of those that are unique to the ministry.

We recommend that the government policy manual be clarified to indicate that an asset may be both fixed and attractive. The manual should clearly state that, where a fixed asset also meets the criteria for attractive assets, the additional and more stringent requirements for safeguarding attractive assets must be complied with, not just the requirements for recording and controlling fixed assets.

Content of Asset Record Systems

We recommend that the following information requirements for asset records be considered for addition to the policy manuals:

- name of the custodian (for all assets, not just attractive assets)
- purchase information (including invoice and supplier number)
- description information (model number, manufacturer, and colour)
- the ministry-assigned, unique identifying number (the bar code or tag number)
- cost
- estimated useful life
- warranty references

Form of Asset Record Systems

We recommend that consistent and compatible physical asset recording systems be used throughout government, and especially within ministries.

Centralization of Asset Record Systems

We recommend that the government policy manuals establish criteria for physical asset record systems. This will ensure that sufficient commonality exists between systems to allow the exchange of data, whether the physical asset systems are centralized within ministries or within government.

Periodic Physical Counts

We recommend that bar code readers be made readily available to organizations to facilitate the counting of physical assets tagged with bar codes.

Items Incorrectly Recorded as Physical Assets

We recommend that policies be established to determine when it is appropriate to record professional fees as asset purchases, and when it is not.

Findings Related to Computer Equipment and Software

We recommend that the asset records show what components have been added to a computer, with the relevant serial number recorded to identify it.

We recommend that government policies be developed to address the purchase or use of government computer equipment for work at home.

Findings Related to Technical and Office Equipment

We recommend that, as a matter of policy, ministries be required to obtain a receipt from the lessor for the return of a leased item when a lease expires and is not renewed.

Findings Related to Furniture

We recommend that when furniture is purchased it be tagged with a unique number and, as a minimum, be recorded in a list of furniture for the particular branch office. Physical verification should be done where there have been changes to the location or a large number of disposals.

Findings Related to Vehicles

We recommend that government policy be amended so that a local manager can approve overnight home parking when it is appropriate for travel purposes.

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Response of the Ministry of Finance and Corporate Relations

The main feature that sets government accounting apart from that applied in the private sector is the treatment of physical assets. Under its present accounting policies, government expenses all physical asset acquisitions at the time they are purchased unless, like some Crown land, they are for resale.

An unfortunate side effect of this policy is that a large number of valuable assets are not subject to full accounting control and there is no need for periodic counts to substantiate an amount carried on the balance sheet. Without the discipline of accounting control the necessary management control loses some of its immediacy.

As noted by the Auditor General, the government, along with a number of other jurisdictions, is currently reviewing its accounting policies regarding physical and other non-financial assets. For this reason the audit and the findings reported are very timely.

In the event that government decides to capitalize and depreciate physical assets, the corporate accounting system, currently being implemented, has the required functionality to meet the Auditor General's recommendation that consistent and compatible asset recording systems be used.

The government will, as part of the whole review of its accounting for assets, consider the recommendations made concerning the need for consistent policies on such matters as when to record assets, definitions, cut-off values and the required information to be recorded.

As the scope of this audit covered all ministries, the Auditor General has given each ministry a copy of his findings that relates to it and has, in turn, been provided detailed responses from each of them.

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Treatment of Unclaimed Money

Treatment of Unclaimed Money

The* Unclaimed Money Act *protects the rights of owners of unclaimed money by providing methods for them to be informed that their money is being held by others and can be recovered.

***We conducted this audit to assess whether the government, corporations and persons have complied with the provisions of the* Unclaimed Money Act.**

Audit Scope

We have made an examination to determine whether the *Unclaimed Money Act* was complied with in 1993. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Overall Conclusion

In our opinion, the first sections of the *Unclaimed Money Act* relating to money deposited in the treasury of the province (sections 1 to 4), have been complied with, in all significant respects, in 1993. However, the second portion of the Act, relating to money received by companies or persons (sections 5 to 10), has not been monitored or enforced, and there was no evidence of compliance with that portion of the legislation.

Introduction

The *Unclaimed Money Act*

The *Unclaimed Money Act* (the Act) provides statutory guidance as to how money should be handled by the provincial treasury, companies, and persons in the province when the rightful owner is unknown or cannot be found. Unclaimed amounts arise when individuals move and do not provide their new address or discontinue a service and do not remember to claim their deposit. The Act requires that unclaimed money deposits received by the provincial treasury, companies, and individuals be publicly accounted for in a specified manner. The Minister of Finance and Corporate Relations is responsible for the Act.

There are many sources of unclaimed monies. They include suitors' funds paid into the courts, estates' funds administered by the Public Trustee, and patients' accounts set up in extended care facilities. Other possible sources include deposits paid to utilities companies such as hydro and telephone.

The Act contains 10 sections. Sections 1 to 4 regulate unclaimed money deposited in the provincial treasury. These monies become revenue of the province if no claim or demand has been made for 10 years from the date of deposit, or 10 years from the age of majority where the money was deposited on a minor's behalf (section 1). However, the money can be reclaimed at any time by a person who can prove he or she has a legal entitlement to it (section 4). The Comptroller General, who is required to keep a record of all unclaimed money, must submit a copy of the record of unclaimed money to the Legislature each year (section 3). In 1993 this requirement was amended so that the statement of unclaimed money is now to be deposited with the Clerk of the House rather than being tabled in the Legislative Assembly.

In addition to the legislative requirements, the Treasury Board

HISTORY OF THE *UNCLAIMED MONEY ACT*

In 1905, the *Unclaimed Money Deposits Act* was passed. The content of the original Act has had only a few changes over the years, and now forms sections 1 to 4 of the present *Unclaimed Money Act*.

In 1914, the *Unpaid Moneys Act* was passed. Its content underwent only minor wording changes over its 10 years on the statute books. In 1924, the Act was merged with the *Unclaimed Money Deposits Act*, and now constitutes sections 5 to 10 of the present *Unclaimed Money Act*.

The only change of any consequence was in 1955, when an addition was made to section 1 whereby monies deposited for the benefit of infants were deemed unclaimed money deposits 10 years from the date of majority of the infant.

policy manual requires, as a form of monitoring, that all ministries provide a representation to the Office of the Comptroller General that they have reported all unclaimed money so that it can be transferred to the Consolidated Revenue Fund.

The remainder of the Act, sections 5 to 10, regulates unclaimed money that is in the form of deposits made to any person or company for the performance of, or in connection with any contracts to which the *Bank Act* (Canada) does not apply. At the end of each calendar year, a list of all deposits for which there have been no transactions for more than two years, and for which the money has not been forfeited under a contract, must be published by every person or company with such deposits. This list must be published by January 20th of the following year in a newspaper that circulates in the area where the money was originally deposited. Under the Act, persons or companies that do not comply with this requirement could be fined up to $25 a day for each day that such a statement is late. The Act indirectly indicates that the person or company holding the unclaimed money retains it for their own use unless it is claimed.

Other Related Statutes

We also identified several other statutes that cover unclaimed money arising out of certain specific circumstances. However, we did not conduct a search of the legislation to ensure we identified all statutes which contain provisions relating to unclaimed money. Exhibit 3.1 summarizes the flow of unclaimed money required by the *Unclaimed Money Act* and other related statutes which contain requirements for unclaimed money. As the diagram indicates, all unclaimed money except that under section 5 to 10 of the *Unclaimed Money Act*, will flow through to the Consolidated Revenue Fund. Of the money that does get transferred only unclaimed money under section 85 of the *Financial Institutions Act* and section 469 of the *Municipal Act* does not have to be publicly disclosed in the "Unclaimed Money Deposits" report.

The *Company Act*, section 129, regulates unclaimed distributions from a company, such as dividends or debenture interest. Where the people entitled to this money cannot be found, the company must transfer the amount to the Minister of Finance and Corporate Relations, with a list of the names and amounts, 12 months after the date the payments were authorized. Section 318 of the Act regulates unclaimed or undistributed assets of a company that has been liquidated. If these amounts are unclaimed for more than six months after the liquidator has declared them payable, they must be paid to the Minister of Finance and Corporate Relations. The money must be accompanied by a list of the names and last known addresses of the people entitled to the money.

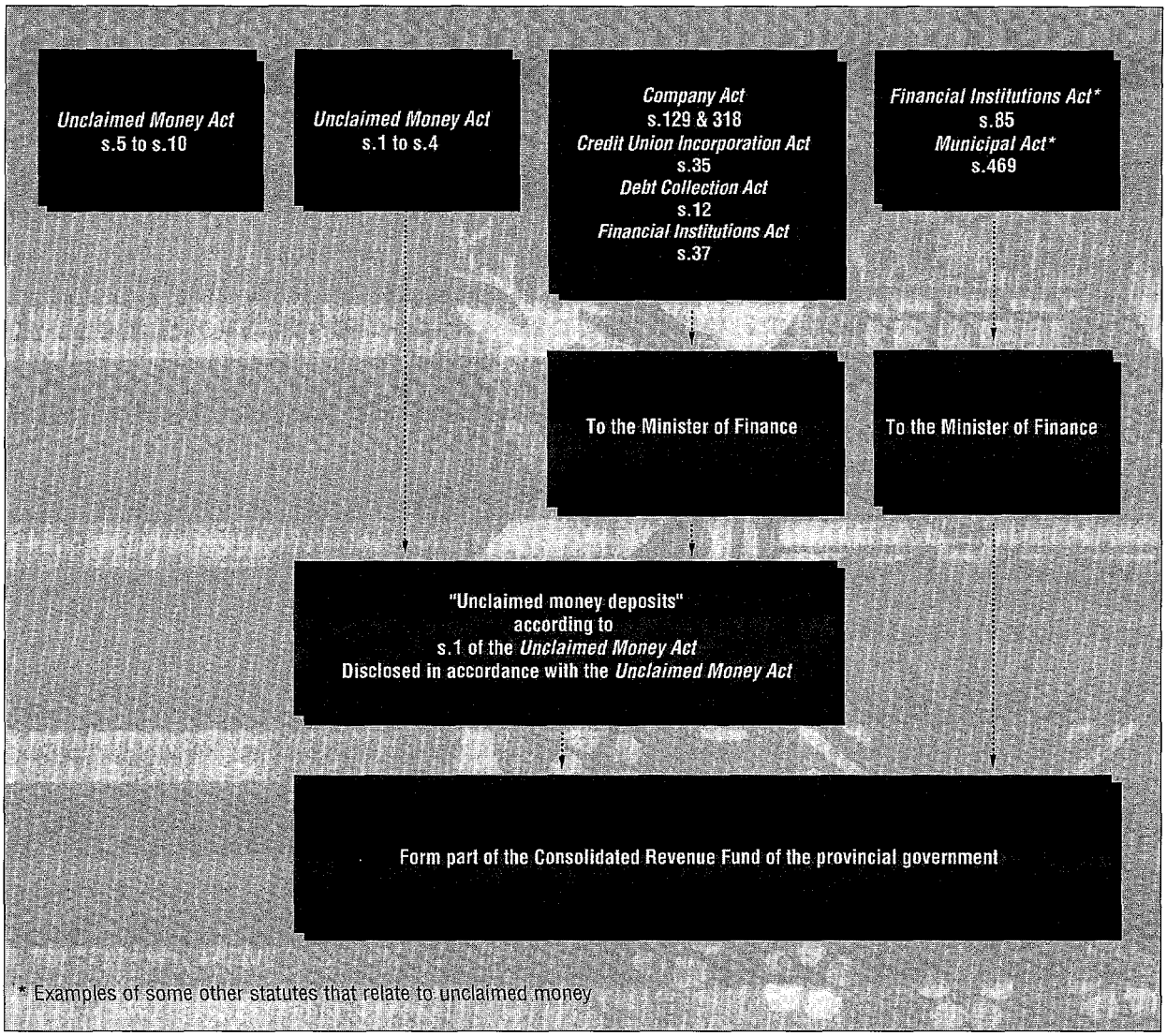
The *Credit Union Incorporation Act*, section 35, regulates unclaimed or undistributed assets where a credit

union is being wound up. If this money is unclaimed for more than six months, the liquidator must publish in a newspaper a statement of the money, the procedure for claiming it, and the date it will be paid to the Credit Union Deposit Insurance Corporation (CUDIC) for amounts due to members, and to the Minister of Finance and Corporate Relations for all other amounts. When paying the money over to the corporation or the minister, the liquidator must provide a list of the people entitled to the money. For money paid to the CUDIC, the Act makes provision for reclaiming the money.

The provisions of the *Financial Institutions Act*,

Exhibit 3.1

Flow of Unclaimed Money as Required by the *Unclaimed Money Act* and other related statutes



section 37, are similar to those of the *Credit Union Incorporation Act*. However, this Act regulates trust companies and insurance companies rather than credit unions, and all the money is paid to the Minister of Finance and Corporate Relations and is then considered to be an unclaimed money deposit.

The *Debt Collection Act*, section 12, requires that when a debt collection agent cannot locate either the debtor or the creditor within six months after the money should have been paid to the creditor, the money must be paid to the Minister of Finance and Corporate Relations and it is then considered to be an unclaimed money deposit.

Other references to unclaimed money that came to our attention during this audit include the *Financial Institutions Act*, section 85, which refers to inactive deposits of a trust company or credit union, and the *Municipal Act*, section 469, which refers to surplus tax sale proceeds. These sections require unclaimed amounts to be paid to the Minister of Finance and Corporate Relations and make provision for reclaiming the amounts. However, they do not require them to be disclosed according to the provisions of the *Unclaimed Money Act*, (i.e., included in the "Unclaimed Money Deposits" report submitted to the Clerk of the House).

The *Bank Act* (Canada) covers unclaimed deposits made to federally established banking institutions. These institutions are not subject to British Columbia's *Unclaimed Money Act*. Under the *Bank Act* these deposits must be paid to the Bank of Canada when there has been no activity in an account over a period of 10 years.

During the past five years, $10.4 million of unclaimed money deposits have been deposited into the province's Consolidated Revenue Fund, pursuant to the provisions of the *Unclaimed Money Act* and related statutes. It is a significant sum in total. The individual unclaimed deposits range from very small amounts to hundreds of thousands of dollars with a significant portion of the amounts being less than $100.

Audit Scope

Our audit was conducted to determine whether the *Unclaimed Money Act* was complied with in 1993. Our audit did not include unclaimed deposits at federally established banking institutions as they are subject instead to the federal *Bank Act*.

In order to determine whether sections 1 to 4 of the *Unclaimed Money Act* were complied with, we held discussions with officials involved in their administration and we reviewed reports of unclaimed money deposits for the past five years at the provincial treasury, the Office of the Comptroller General, and the Legislative Library. We also reviewed representation letters from ministries confirming their reporting of unclaimed money to the Minister of Finance and Corporate Relations, and we reviewed a sample of monies paid

to persons who had proven their legal entitlement to it.

Sections 5 to 10 of the *Unclaimed Money Act,* deals with money received by companies or persons. Information on unclaimed money under these sections is not available to us as we do not have access to the records of companies or persons who have unclaimed monies. However, as the only requirement in these sections is for the unclaimed amounts to be published in newspapers, we were able to determine if this requirement was being complied with by looking at newspapers. We also relied on discussions with officials involved in the administration of the *Unclaimed Money Act* and other related statutes. This included the offices of the Comptroller General, the provincial treasury's Debt Management Branch, the Registrar of Companies, the Public Trustee, and the Trust Accounts Section of the Ministry of the Attorney General.

We did not audit for compliance with the requirements of other provincial statutes dealing with the other types of unclaimed money identified in the previous section of this report. However, we did discuss their requirements with the same government officials as mentioned above and the officials at the Financial Institutions Commission, in order to see how similarly they are treated compared to amounts included under the *Unclaimed Money Act.*

We also reviewed a November 1992 internal report prepared by an official of the provincial treasury, entitled "Unclaimed Monies in British Columbia." It provides good insight into some of the current issues that need addressing in the administration of the present legislation, and puts forward several potential options for dealing with them. We did not extensively review legislation of other provinces, but we did look at Quebec's *Act Respecting the Public Curator,* and the 1989 *Unclaimed Intangible Property Act* of Ontario, which is yet to be proclaimed into law.

Overall Observations

Overall our audit of sections 1 to 4 of the *Unclaimed Money Act,* which relate to money deposited in the treasury of the province, indicated that these sections of the Act have been satisfactorily complied with in 1993. The "Unclaimed Money Deposits" reports were in the Legislative Library where the public could get access to them, and they are complete for the year we looked at. Amounts paid out to claimants were adequately supported to indicate they were paid to the rightful owners.

We concluded that sections 5 to 10 of the *Unclaimed Money Act,* relating to money received by companies and persons, have not been monitored or enforced, and we found no evidence that they had been complied with in 1993.

Audit Findings

Money Deposited in the Treasury of the Province (*Unclaimed Money Act*, sections 1 to 4)

During the past five years, $7.4 million of unclaimed money deposits have been reported pursuant to sections 1 to 4 of the Act. These amounts came from the Courts' suitor funds ($2.5 million), from the Public Trustee and Official Administrators ($4.8 million), and the balance from inmates' trust funds, provincial hospital patients' trust funds, and various government ministries. In addition, approximately $2.9 million of unclaimed bond interest and dividends has been forwarded pursuant to the *Company Act*.

There is one particular matter respecting sections 1 to 4 of the Act that we believe the government should consider. We found that a significant number of the individual deposits were very small amounts. For example, over 600 (63%) of the individual deposits reported in the June 1993 "Unclaimed Money Deposits" report were $100 or less (these included over 370 deposits that were less than $10). Separate accounting records have been maintained for these deposits for the ten years prior to their being reported as unclaimed money. The cost of doing this would probably be excessive when compared to the potential benefit that may be obtained from maintaining these records for the small amounts.

By comparison, the *Financial Institutions Act*, section 85, which refers to inactive deposits of a trust company or credit union, allows those institutions to retain unclaimed amounts of less than $100 after 10 years.

We recommend that a limit, such as $100, be set so that deposits below this benchmark can be transferred to revenue by the government after a much shorter period of time than 10 years (such as five years). This would not extinguish the right of a valid claim on these amounts, but would remove them earlier from the active accounting records to the statement of unclaimed money. Alternatively consideration could be given to transferring smaller amounts early and extinguishing rights to claiming them at the time they are transferred, to avoid the costs of maintaining the records.

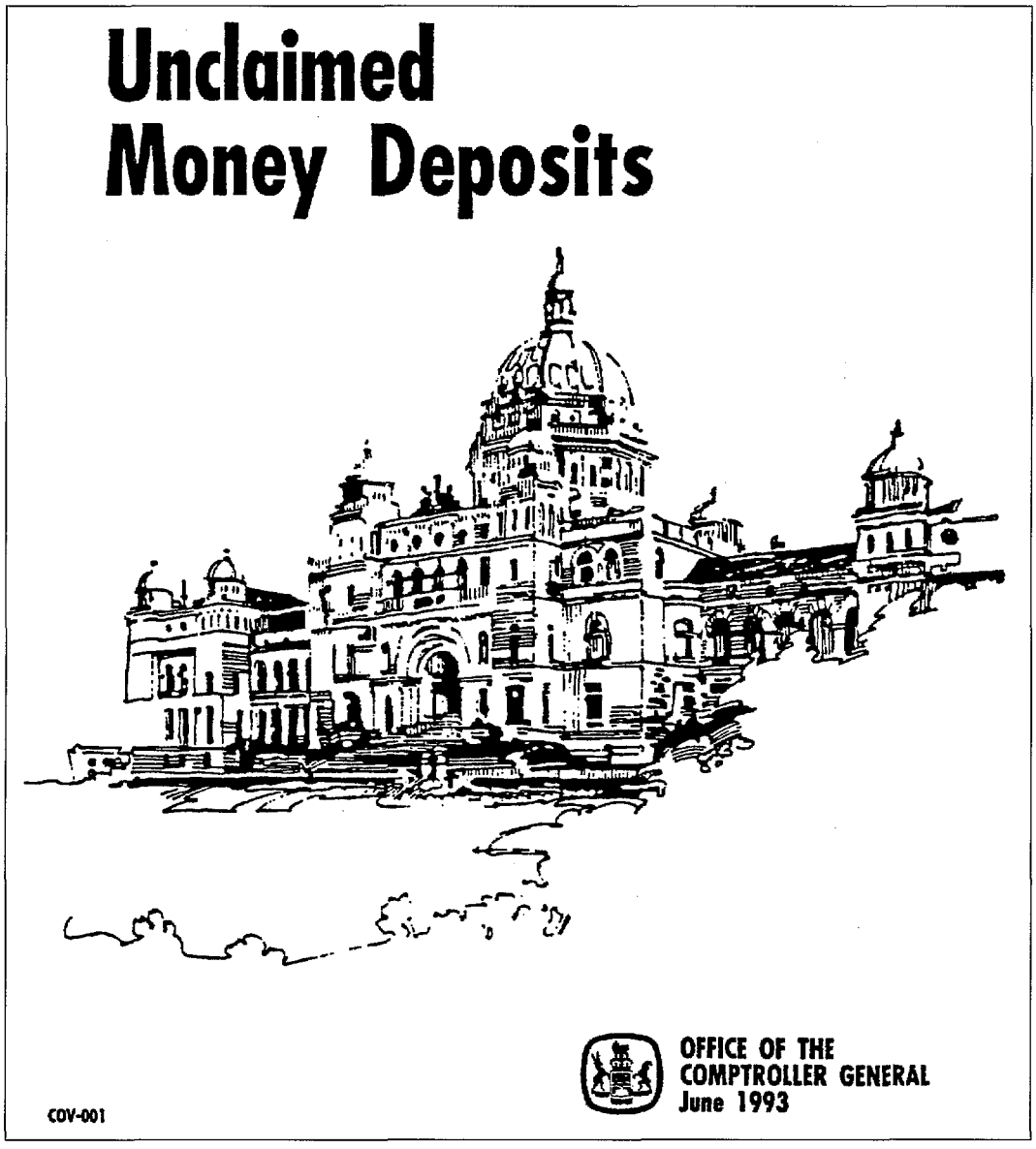
Money Received by Companies or Persons (*Unclaimed Money Act*, sections 5 to 10)

Sections 5 to 10 of the Act regulate unclaimed money that is in the form of deposits made to any person or company for the performance of, or in connection with any contracts, except those to which the *Bank Act* (Canada) applies.

We could not find any officials who knew whether sections 5 to 10 of the *Unclaimed Money Act*, relating to companies or persons with unclaimed deposits, were being complied with, or whether any penalties had ever been levied for non-compliance. In our own

audit for compliance with this second part of the Act, we checked the major newspapers of Vancouver and Victoria for the month of January 1993, but found no statements of unforfeited money (which should have been published by January 20) in them. We also asked officials of the provincial treasury, the Office of the Comptroller General, the Registrar of Companies, and the Ministry of Attorney General whether any monitoring for compliance with sections 5 to 10 was taking place, but none were aware of any such monitoring.

We could find no evidence of any judicial interpretation of the *Unclaimed Money Act* or its predecessor statutes. This leads us to believe that there may never have been any attempt to enforce compliance with sections 7 to 9 of the Act, the sections that deal with publication of the statement of



The cover of the 1993 "Unclaimed Money Deposits" Report

unforfeited money on deposit with companies and persons.

Furthermore, the Act itself contains no provisions to support enforcement. There is no authority that would allow access to original books of account in order to gather evidence of failure to comply with the public reporting required by the Act. Without evidence, enforcement is difficult, if not impossible.

We recommend that a comprehensive study be initiated to review all types of unclaimed money and other types of unclaimed assets held by companies or persons within the province, other than those to which the *Bank Act* (Canada) applies. The study should determine an appropriate up-to-date manner for handling and accounting for such money and assets, addressing provisions for monitoring, enforcement, and full public disclosure. This may require amendment of existing legislation or implementation of new legislation.

Our limited review of legislation of other provinces suggests that Quebec's *Act Respecting the Public Curator*, and Ontario's as yet unproclaimed *Unclaimed Intangible Property Act* (1989), would be good potential reference sources for consideration by our province. The Quebec Act makes the Public Curator's Office (the counterpart of British Columbia's Public Trustee's Office) responsible for overseeing that province's unclaimed property in a rather comprehensive manner. Ontario's Act covers a wide variety of intangible property items, including money orders, demand deposits, savings, life insurance, shares, and dividends. The Public Trustee of Ontario is to be extensively involved in the administration of that legislation. Various monitoring provisions are made in the Ontario Act, including providing for access to books of account for inspection purposes by the Public Trustee, which are not available in British Columbia's existing legislation.

During our audit we also found out that there is a National Association of Unclaimed Property Administrators (NAUPA), based in the United States. It may be useful to communicate with such an organization in the course of an extensive study of the issue of unclaimed money in this province. Unclaimed money laws in the United States disclose unclaimed amounts totalling over $1.5 billion each year at the state level of government. Ontario has estimated that it would uncover $50 million in unclaimed money in the first year when its Act comes into force.

Other Provincial Statutes Pertinent to Unclaimed Money

There are four other provincial statutes containing requirements for unclaimed money. Although we did not audit for compliance with their requirements we did do some review work, and have some observations and recommendations on them.

We found that $2.9 million has been forwarded to the Minister of Finance pursuant to sections

129 and 318 of the *Company Act* over the past five years, and this money is then handled in accordance with the provisions of sections 1 to 4 of the *Unclaimed Money Act*. These sections of the *Company Act* are self-administered, and there is no requirement for the Office of the Registrar of Companies to monitor for compliance with them.

No money has been forwarded in recent years to the Minister of Finance pursuant to either section 35 of the *Credit Union Incorporation Act* or section 37 of the *Financial Institutions Act*. Neither Act requires the Financial Institutions Commission to formally monitor for compliance with these sections.

A small amount of money, totalling less than $500 per year, has been forwarded in recent years to the Minister of Finance under section 12 of the *Debt Collection Act*. These amounts have been included in the statement of unclaimed money with *Company Act* receipts. The Debtors Assistance Branch has established procedures and reporting forms, on which the accountants of collection agencies are required to express an opinion on compliance with section 12 of the Act. We reviewed a number of these compliance opinions and found no significant problems.

As previously described, certain provincial legislation (the *Financial Institutions Act*, section 85 and the *Municipal Act*, section 469) requires unclaimed amounts of money to be paid to the Minister of Finance and Corporate Relations, but does not require them to be processed through the provisions of the *Unclaimed Money Act*. Payments to the Minister are required in those situations where the trust or credit union depositors and the property owners cannot be found. It was unclear why this unclaimed money was not subject to the same or similar disclosure requirements as those of the *Unclaimed Money Act*. We believe that these unclaimed amounts of money should be treated consistently with other unclaimed money deposited in the treasury of the province, and that these amounts should be included in the "Unclaimed Money Deposits" report.

We recommend that the sections of these provincial statutes be included in the scope of any study of unclaimed money and other assets held in the province (as we recommended above), which should consider among other issues appropriate monitoring, enforcement, and disclosure requirements.

Information to the Public

The *Unclaimed Money Act* provides that claims by the rightful owners of the funds can be made, and the money paid out if the claims are substantiated. However, it says little about how the public should obtain information about the fact that these unclaimed money deposits exist in the first place.

The first sections of the Act, for money deposited in the treasury of the province, require that a copy of the "Unclaimed Money Deposits" report be delivered to the Clerk of the Legislative

Assembly each year to be kept as part of the official records of the Assembly. A cumulative computer data base of unclaimed amounts sorted by the name of the person to whom the amount is due would be the best way to maintain such a record. However, currently the copy provided is a printed listing of amounts which became unclaimed in the current year only.

The Legislative Library also receives a copy, which is to be available for review by any member of the public. Copies of previous years' registers are also available for review at the Legislative Library. However, there is no widely circulated public notice informing the public about the timing and availability of this information.

In the second portion of the Act, relating to unclaimed unforfeited money on deposit with companies and persons, there is a requirement for a public notice to be published in a local newspaper as to the funds being held. However, we did not find any such notices published in 1993.

There are examples of requirements for informing the public about unclaimed money. One is included in the *Inactive Deposit Regulation* of the *Financial Institutions Act*, which requires an extract from the register of payments of inactive deposits from trust companies and credit unions to be published in the *British Columbia Gazette* by May 31 of each year. The extract is supposed to include the depositor and his last known address, the amount, and the trust company or credit union the deposit was with. Our review of the *British Columbia Gazette* for the first five months of 1993, however, indicated that this requirement has not been complied with.

We recommend that the government provide a public advertisement in newspapers stating when and where information about unclaimed money is available. This should be done periodically, as well as at the time at which the information becomes available each year. It should be an important consideration in any future amendment to the *Unclaimed Money Act* and related legislation.

Payment of Claims

Section 4 of the *Unclaimed Money Act* makes provision for subsequent claimants of unclaimed money deposits to receive payment upon satisfactorily proving to the Minister of Finance that they have a legal entitlement to the money. During the past five years, $844,000 has been paid out in this way. A record of the amounts paid out is not included in the report of "Unclaimed Money Deposits."

In addition, in 1987 and 1988 the Ministry of Finance and Corporate Relations hired a part-time college student to try to track down the rightful claimants to some of the unclaimed money that had been deposited under the Act. The results of the project show it was very successful because it resulted in the return of more than $4 million to rightful claimants, in amounts ranging from a few dollars up to tens of thousands of dollars. Many of the recipients

expressed surprise and disbelief when they were contacted about the possibility of the government having funds that they might be entitled to. However, the success of the program did not ensure its continuation, as it only lasted for two partial years in 1987 and 1988.

We recommend that the government consider reinstituting periodic search procedures for persons or companies who may be rightfully entitled to unclaimed money deposits that have been transferred to the government's Consolidated Revenue Fund.

We recommend that the legislation be amended to require the inclusion of the successful claims that were paid out in the statement of unclaimed money so that it becomes a complete record of outstanding unclaimed money.

Responsibility for the *Unclaimed Money Act*

We have raised several concerns about monitoring, enforcement and compliance with the Act. We believe that part of the reason for these difficulties is a lack of specified authority identifying responsibility for the detailed administration, monitoring, and enforcement of various sections of the Act.

The Table of Acts and Administration of the Revised Statutes of British Columbia, 1979, and the *British Columbia Statute Citator* both indicate that responsibility for the *Unclaimed Money Act* is with the Ministry of Finance and Corporate Relations.

We reviewed ministry publications and asked ministry officials to identify responsibility for various sections of the Act. We also reviewed the annual reports of the Ministry of Finance and Corporate Relations for the past few years. The *Unclaimed Money Act* was not mentioned in the sections listing the Acts for which the ministry is responsible. We also could not locate anyone in the ministry who would take responsibility for administering sections 5 to 10 of the Act, and enforcing the $25-per-day penalty.

We recommend that the Ministry of Finance and Corporate Relations identify which ministry branch is responsible for administering the *Unclaimed Money Act* in its annual report.

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Summary of Recommendations

Money Deposited in the Treasury of the Province

We recommend that a limit such as $100 be set so that deposits below this benchmark can be transferred to revenue by the government after a much shorter period of time than 10 years (such as five years). This would not extinguish the right of a valid claim on these amounts, but would remove them earlier from the active accounting records to the statement of unclaimed money. Alternatively, consideration could be given to transferring smaller amounts early, and extinguishing rights to claiming them at the time they are transferred, to avoid the costs of maintaining the records.

Money Received by Companies or Persons

We recommend that a comprehensive study be initiated to review all types of unclaimed money and other types of unclaimed assets held by companies or persons within the province, other than those to which the *Bank Act* (Canada) applies. The study should determine an appropriate up-to-date manner for handling and accounting for such money and assets, addressing provisions for monitoring, enforcement, and full public disclosure. This may require amendment of existing legislation or implementation of new legislation.

Other Provincial Statutes Directly Related to the Unclaimed Money Act

We recommend that the sections of these provincial statutes be included in the scope of any study of unclaimed money and other assets held in the province as we recommended above, which should consider among other issues the appropriate monitoring, enforcement, and disclosure requirements.

Information to the Public

We recommend that the government provide a public advertisement in newspapers stating when and where information about unclaimed money is available. This should be done periodically, as well as at the time at which the information becomes available each year. It should be an important consideration in any future amendment to the *Unclaimed Money Act* and related legislation.

Payment of Claims

We recommend that the government consider reinstituting periodic search procedures for persons or companies who may be rightfully entitled to unclaimed money deposits that have been transferred to the government's Consolidated Revenue Fund.

We recommend that the legislation be amended to require the inclusion of the successful claims that were paid out in the statement of unclaimed money so that it becomes a complete record of outstanding unclaimed money.

Responsibility for the Unclaimed Money Act

We recommend that the Ministry of Finance and Corporate Relations identify which ministry branch is responsible for administering the *Unclaimed Money Act* in its annual report.

Response of the Ministry of Finance and Corporate Relations

This ministry agrees with the report's observations and acknowledges its responsibility for the Unclaimed Money Act.

We will be conducting an overall study of unclaimed monies within the province which will result in revised legislation, and the establishing of responsibilities for administration, monitoring, enforcement and reporting.

Updated Responses to Prior Years' Audits

Including Status of Public Accounts Committee Recommendations

Updated Responses to Prior Years' Audits

Including Status of Public Accounts Committee Recommendations

In December 1993 we invited ministries to provide, for publication, updated responses for five compliance-with-authorities audits included in public reports issued by our office in the last two years. The following section includes these responses on issues outstanding from these audits. In addition, we have included a review on the current status of each Act included in our prior year's report on Small Acts.

In each audit we made several suggestions and recommendations, some of which were subsequently adopted by the Select Standing Committee on Public Accounts as recommendations in its reports to the Legislative Assembly. We have included the recommendations from the Committee's June 1992 and July 1993 Reports, along with an indication of the degree to which they have been acted upon, based on each ministry's written comments.

Compliance with the *Financial Disclosure Act*

(Auditor General Annual Report, March 1993)

Response of the Ministry of Attorney General

In early January 1994, representatives from the ministries of Attorney General, Municipal Affairs and Education met to discuss the recommendations. The group has undertaken a number of tasks and has proposed changes pursuant to the report's recommendations, including:

- *Identified the Attorney General as the Ministry responsible for enforcing the Act and for providing general information.*
- *Proposed reducing the frequency of filing.*
- *Is developing an information package to send to districts and municipalities to clarify filing procedures.*
- *Are determining the appropriate retention requirements for Financial Disclosure documents.*

Some consultation is required before final decisions are made on the above-mentioned proposals. Again, we thank you for the assistance your audit has provided us.

Response of the Ministry of Municipal Affairs

The Ministry of Municipal Affairs has begun a phase in review of the Islands Trust Act. *The first step involves drafting minor changes to address internal management issues. The second step will be to develop comprehensive amendments concerning areas fundamental to the operation of the Islands Trust itself. It is during the second phase that the Ministry will address the appropriateness of including the members of the Islands Trust under the requirements of the* Financial Disclosure Act. *This strategy has been discussed with representatives of the Ministry of Attorney General and has their support.*

Consultations with the various interest groups are ongoing and the Ministry hopes for the early resolution of all outstanding concerns. We thank you for your assistance in identifying this area of potential improvement.

Public Accounts Committee Recommendations

Recommendations of the Select Standing Committee on Public Accounts July 1993 Report	Status (Based on Ministry Responses)
a) that the *Financial Disclosure Act* be amended as follows:	Representatives from the ministries of Attorney General, Municipal Affairs, and Education met as a group to discuss the recommendations.
i) to clarify who is responsible for enforcing the Act,	The group identified the Attorney General as the ministry responsible for enforcing the Act.
ii) to bring the Islands Trust, and related local trust committees, within the purview of the Act,	Ministry of Municipal Affairs to address the appropriateness of this recommendation during its upcoming review of the *Islands Trust Act*.
iii) to require a different frequency of filing of disclosure, such as annually; when there is a material change to report; or some combination of these or other alternatives;	The group proposed reducing the frequency of filing.
b) that the *Financial Disclosure Act Forms Regulation* be amended:	
i) to specify the length of time disclosure forms should be retained,	The group is determining the appropriate retention period for the disclosure forms.
ii) to allow for flexibility in the style of disclosure forms, so long as the required content and approval aspects are consistently retained,	The group is developing an information package to send to districts and municipalities.
iii) so that the forms clearly specify the information that should be included,	The group is developing an information package to send to districts and municipalities.
iv) to provide greater certainty to someone inspecting the forms that a "nil" return is indeed correct.	The group is developing an information package to send to districts and municipalities.

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Order-in-Council Appointments

(Auditor General Annual Report, March 1993)

Responses

Since this compliance audit involved legislation for which several different ministries were responsible, responses were obtained from the ministries to which each recommendation related.

Response of the Ministry of Attorney General

In response to paragraph (a) of the Standing Committee recommendations respecting the Interpretation Act (see below), *we wrote to the deputies of the other ministries encouraging their ministry to review the Auditor General's report and offering to assist each ministry to address the issues it raised. These reviews proceeded and we assisted those ministries that requested assistance.*

References to remuneration have been included in the appointing orders or reference has been made in the administrative portion at the bottom of these orders to the other orders in council setting remuneration. There have been some appointing orders where, because of time constraints, these cross references have not been included but these are infrequent. In short, while there is rigorous attention to paragraph (a) there are occasional situations where the sort of cross referencing referred to in paragraph (b) does not occur.

Response of the Ministry of Skills, Training and Labour

The Bill containing the amendments to the relevant sections of the College and Institute Act *and the* Institute of Technology Act *is ready for introduction in the Spring 1994 Legislative Session. The timing of the introduction of the Bill cannot be confirmed at this time.*

Response of the Ministry of Transportation and Highways

It was noted that the Insurance Corporation Act *differed from other acts and you recommended that it be brought into line relative to the establishment of remuneration.*

The Minister of Transportation and Highways has discussed this matter with the Chair of the Insurance Corporation of BC and at this time it is the feeling of the Minister that any future compensation should be set by government. In view of this, the necessary statutory changes will be proposed to government for consideration in a future Legislative session.

Response of the Ministry of Finance and Corporation Relations

Currently, the only use of the term "Crown corporation" in Treasury Board directives is in Directive 9/82 which contains guidelines for "maximum

compensation for Directors of Crown corporations".

Treasury Board directives are issued under the authority of the Financial Administration Act. *The Act refers to "government corporations" and includes a definition of government corporations in section 1. The Act does not make any reference to Crown corporations.*

The reference to "Crown corporations" in Directive 9/82 is synonymous with "government corporations" as referred to in the Financial Administration Act. *Accordingly, we plan to include the definition of a Crown corporation in the Government Management Policy Summary as follows: "Crown corporation: means a government corporation as defined in section 1 of the* Financial Administration Act."

We will also arrange for a statement to be included in this section to the effect that this section does not apply to those government organizations which, though given the title of agencies, boards or commissions, are in fact government corporations as defined in the Financial Administration Act.

Public Accounts Committee Recommendations

Recommendations of the Select Standing Committee on Public Accounts July 1993 Report	Status (Based on Ministry Responses)
a) that requirements for the authorization of remuneration, particularly the application of the *Interpretation Act* where more specific legislation is silent, should be communicated to all parties involved in the appointment process;	The Ministry of Attorney General Legislative Counsel staff wrote to deputy ministers drawing attention to the issues raised, and then offered assistance and provided it when requested.
b) that appointing orders in council clearly refer to remuneration, if any has been authorized (this may be done either by specifying the remuneration in the order in council, or by stating where the remuneration is authorized);	The Ministry of Attorney General Legislative Counsel have ensured that orders in council include remuneration or refer to other OIC's setting remuneration, except in occasional situations where time does not permit this.
c) that the *College and Institute Act* and the *Insurance Corporation Act* be amended so that the authorization of remuneration for their appointees is consistent with the requirements for appointees to other government organizations;	The Ministry of Skills, Training and Labour plans to introduce a Bill amending the relevant sections of the *College and Institute Act* and the *Institute of Technology Act* in the Spring, 1994 Legislative Session. The Ministry of Transportation and Highways will propose an amendment to the *Insurance Corporation Act* to bring it into line with the other Acts relative to the establishment of remuneration.
d) that the term "Crown Corporation", which is used in Treasury Board guidelines relating to levels of remuneration for order-in-council appointees, be clearly defined.	The Ministry of Finance and Corporate Relations plans to define Crown corporations in the Treasury Board policy manual to be a government corporation as defined in the *Financial Administration Act*.

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Compliance with Part 3 of the *Financial Administration Act*

(Auditor General Annual Report, March 1993)

Response of the Ministry of Finance and Corporation Relations

The Office of the Comptroller General (OCG) has requested amendment to the Financial Administration Act *in its 1994 Request for Legislation which would require all government write-offs, extinguishments and remissions to be reported together in one statement in the government's financial statements. All of these transactions would be reported, regardless of whether they were authorized by the* Financial Administration Act *or by another authority.*

Amending the Offence Act *to create authority to make regulations charging interest on overdue fines:*

> *Amendment to the* Offence Act *is being put forward by the Ministry of Transportation and Highways for the next session of the Legislature.*

Public Accounts Committee Recommendations

Recommendations of the Select Standing Committee on Public Accounts July 1993 Report	Status (Based on Ministry Responses)
a) that the *Financial Administration Act* be amended to require all government write-offs, extinguishments and remissions to be reported together in one statement in the government's financial statements, whether authorized by the Act or by any other authority;	The Office of the Comptroller General has requested an amendment to the *Financial Administration Act* which will require these items to be reported together.
b) that the *Offence Act* be amended to create specific legislative authority for the Lieutenant Governor in Council to enact regulations to charge interest on overdue fines.	The Ministry of Transportation and Highways is putting forward an amendment to create legislative authority to charge interest.

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Financial Information Act: Follow-up

(Auditor General Annual Reports, March 1993 and March 1991)

Response of the Ministry of Finance and Corporate Relations

All of the recommendations of the Auditor General's report have been acted on by the Office of the Comptroller General. Order in Council 1505, approved on November 4, 1993, amended the Financial Information Regulation, *among other things, to:*

- *require information on remuneration and expenses of elected officials, members of boards of directors and employees appointed by the Lieutenant Governor in Council to be disclosed separately, regardless of the amount of remuneration received;*
- *provide further guidance on the types of expenses to be disclosed;*
- *provide further guidance on reporting severance agreements;*
- *expand the group for which severance agreements need be reported to include all non-unionized employees;*
- *require signed approval by the board of directors of all the schedules and statements contained in the Statement of Financial Information (SOFI); and*
- *require a management report from the chief financial officer explaining the roles and responsibilities of all the parties involved in producing and approving the SOFI.*

Numerous other improvements were made to provide for more complete and accurate reporting, reconciliation of schedules and statements, improved definitions and reporting of inactive corporations.

Other actions undertaken and planned include:

- *preparation of a comprehensive guidance package to publicize the revisions and assist corporations in preparing, and ministries in reviewing, the SOFIs; and*
- *staff presentations to ministry staff and professional groups regarding compliance with the* Financial Information Act, *the regulation and directive.*

The definition of "corporation" has not been amended in the Financial Information Act *(FIA). Some organizations which are included in the reporting entity for the purposes of the government's financial statements are not suitable for reporting under the FIA due to the nature of their operations.*

Comment by the Office of the Auditor General on the Response of the Ministry of Finance and Corporate Relations

We are very pleased with the nature and scope of the Comptroller General's *Financial Information Act* Guidance Package, including a revised

Financial Information Regulation and directive and other explanatory information. The amendments also contained many enhancements which go beyond the above recommendations.

However, we continue to believe that the definition of "corporation" needs amendment in the *Financial Information Act*. When we last checked, government organizations not yet subject to the Act included: the Pacific National Exhibition, Duke Point Development Limited, WLC (Whistler) Developments Ltd., the B.C. Liquor Distribution Branch, Creston Valley Wildlife Authority, and others.

The existing legislation allows for additional organizations to be subject to the Act by passing a regulation adding them to corporations listed in Schedule 2 of the Act. Therefore, as an alternative, all organizations in the government's Summary Financial Statements could be added by regulation to Schedule 2.

We can see no justification for any government organizations to be exempted from the public reporting requirements of the *Financial Information Act*. We believe that the legislation should ensure that all government organizations are included. We therefore reiterate our support for implementation of the June 1992 recommendation of the Select Standing Committee on Public Accounts that the definition of "Corporation" in the *Financial Information Act* be amended as described on page 86.

Public Accounts Committee Recommendations

Recommendations of the Select Standing Committee on Public Accounts July 1993 Report	Status (Based on Ministry Responses)
a) that consideration be given to amending the regulation so that remuneration information for all publicly elected and appointed officials be disclosed regardless of how much they are paid;	The new *Financial Information Regulation* requires this.
b) that clearer guidelines be defined for; i) the types of expenses which should be disclosed as employee expenses ii) which organization the Act applied to iii) the treatment of severance agreement information;	The new *Financial Information Regulation* and FIA Guidance Package provides clearer guidance on (i) and (iii) but not (ii).
c) that approval of all schedules be included in the Statements of Financial Information;	The new *Financial Information Regulation* requires this.
d) that consideration be given to amending the Act to require the inclusion of a statement of management responsibility in the Statements of Financial Information;	The new *Financial Information Regulation* requires this.
e) that requirements regarding availability of the financial information periodically be re-emphasized to both the public and the staff at the preparer organizations, by the Office of the Comptroller General and the responsible Ministries.	Ongoing - not possible to comment on at this time.

Recommendations of the Select Standing Committee on Public Accounts June 1992 Report	
That an amendment be made to the *Financial Information Act* respecting the definition of "Corporation" as follows: "Corporation also means an organization or enterprise that is included in the reporting entity for purposes of the Government's summary financial statements".	The Office of the Comptroller General disagrees with this recommendation. (See comments in response above).

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Compliance with Part 4 of the *Financial Administration Act*
(Auditor General Annual Report, June 1992)

Response of the Ministry of Finance and Corporate Relations

No Comment

Public Accounts Committee Recommendations

Recommendations of the Select Standing Committee on Public Accounts July 1993 Report	Status (Based on Ministry Responses)
a) that the Minister of Finance and Corporation Relations conduct a review of the interpretation and application of Section 21 of the *Financial Administration Act* and present amendments to the Legislative Assembly that will address the concerns expressed by the Auditor General in his June 1992 Annual Report.	No comment received.

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Small Acts
(Auditor General Annual Report, March 1993)

Current Status

Since the responses from the ministries in 1993 clearly indicated the course of action they had taken with respect to various small Acts, we did not request an additional response from them for this year's report. Instead, we have noted the current status of each Act included in the report.

- The *Deficit Repayment Act* was repealed by the *Statutes Repeal Act* which came into force on April 8, 1993.
- The *Inflation Control Act* was repealed by the section 13 of the *Miscellaneous Statutes Amendment Act (No. 2)* which came into force on July 29, 1993.
- The *Senior Citizen Automobile Insurance Grant Act* and the *Vancouver Centennial Celebration Act* are both still in effect. The ministries responsible for these Acts advised us last year that consideration would be given to repealing them when the next general review of the Statutes of British Columbia is done. This is expected to occur in the next two to three years.

Public Accounts Committee Recommendations

This audit was not discussed by the Select Standing Committee on Public Accounts.

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Appendix

Appendix

Compliance-with-Authorities Auditing

Purpose of Compliance-with-Authorities Audits

The purpose of compliance-with-authorities audits is to provide an independent assessment as to whether or not legislative and related authorities are being complied with, in all significant respects.

However, we recognize that legislation and other related authorities may, over the course of time or due to other circumstances, become out of date or impractical in their application. Where we consider this to be the case, we will provide the appropriate additional commentary in our reports to draw attention to these difficulties.

In addition to separate compliance-with-authorities audits, the Office of the Auditor General also performs financial statement audits and value-for-money audits. While auditing for compliance with legislative and related authorities is the primary objective of compliance-with-authorities audits, auditing for compliance with authorities may also be included as part of financial statement audits or value-for-money audits where there are authorities that are relevant to the objectives of those audits.

Nature of Legislative and Related Authorities

Legislative and related authorities include legislation, regulations, orders in council or ministerial orders, directives, by-laws, policies, guidelines, rules and other instruments. Through these authorities, powers are established and delegated.

Legislation may delegate broad financial, operating and administrative powers to governments, ministers and officials who, in turn, may establish other related authorities, such as policies, to provide more detailed requirements that must be complied with by the organizations concerned. Such authorities are subordinate to the enabling legislation and must not contradict or go outside the directions, conditions and limitations set out in that legislation.

This structure of authorities constitutes a basis for legislative control over the source, allocation and use of public resources, the operation and administration of programs, and the manner in which organizations are held accountable for the choices made in the exercise of their functions. The structure thus has a pervasive effect on the activities of governments and other publicly accountable organizations. Authorities also form the basis for communication between elected officials and the bureaucracy.

Audit Standards

Auditors are expected to comply with established professional standards, referred to as generally accepted auditing standards. Our compliance-with-

authorities audits are conducted in accordance with the generally accepted auditing standards established by the Canadian Institute of Chartered Accountants. These consist of the general and examination standards in the Institute Handbook, and further statements issued by the Public Sector Accounting and Auditing Board of the Institute on Government financial reporting standards.

Audit Selection

In general, we select a few sections in one act or several sections in many different acts having common objectives. In most instances, we do not audit all aspects of an act in the course of one audit.

The primary legislative instrument which provides for administration of the financial affairs of the Province is the *Financial Administration Act*. Therefore, compliance with this Act is of regular and ongoing significance to our Office. Other legislation and related authorities is considered for audit purposes on a more cyclical basis, depending upon such factors as the extent of impact on government, non-profit or private organizations and the public, the significance of financial and accountability reporting requirements, the degree of interest by legislators and the public, and the likelihood and impact of non-compliance with legislated requirements.

Audit Process

The audit process adheres to the professional standards mentioned above. Of particular note is that compliance-with-authorities audits differ from other audits in their degree of dependence on the identification of all relevant authorities and the interpretation of the meaning of the specific authorities being audited.

In order to identify all the relevant authorities, the auditor must obtain a fairly in-depth level of understanding as to how the authorities are themselves approved and how relevant authorities can be identified. The audit process includes determining that related authorities are within the limits prescribed by legislation, and that there are no obvious inconsistencies, contradictions or omissions in the authorities.

In addition, whether or not an authority is being complied with will often depend on its clarity, and the consistency in which its meaning is interpreted. Because of the importance of such interpretations, we seek professional legal advice where necessary.

Reporting the Results of Audits

We report in two parts—a formal opinion, and a more detailed and explanatory report. The formal opinion constitutes the auditor's professional opinion on whether or not the authorities that are the subject of the audit have been complied with, and usually consists of two basic paragraphs.

The first paragraph sets out the scope of the audit. It states what has been audited (which authorities and which organizations, as necessary) and the point in time at which compliance was assessed.

The second paragraph gives the overall conclusion to the audit. It states whether or not, in the opinion of the auditor, the authorities have been complied with, in all significant respects. In an examination designed to report on compliance with authorities, we seek reasonable assurance that the authorities have been complied with. Absolute assurance in auditing is not attainable because of such factors as the need for judgment, the use of testing, and the inherent limitations caused by differing interpretations in the meaning of authorities.

There may be minor instances of non-compliance that either may not be detected by the audit or may not be worthy of inclusion in the report. We must exercise professional judgment when assessing the significance of any non-compliance. For example, the needs of users of the report, the nature of the relevant authorities, and the extent of non-compliance must, among other things, be considered. As well, the significance of any non-compliance often cannot be measured in monetary terms alone. Accordingly, our main considerations in assessing audit significance include monetary value, the nature of the authority or finding, the context within which compliance is to occur, and the public interest.

In addition to the formal opinion, we also provide a more detailed report which includes an explanation of what is required by the legislative and related authorities, the scope of our work, and what we found. For example, where we encounter instances of non-compliance with an authority or other significant problems, we report them. When appropriate, we also make recommendations as to how the problem identified may be remedied.

We find it useful to report instances where we consider legislation to be out of date or impractical to apply. We also bring forward any instances where there is a general recognition of deficiencies in the authorities by the groups most effected by them, and provide our own comments.

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